



## BUSINESS

## German industry: Gas rationing plan would cripple economy

Unions and representatives of Germany's industrial sector are concerned that if Russia cuts gas supplies, they would be forced to shut production under Berlin's new emergency plan.



At 10 square kilometers (6 square miles) BASF's plant in Ludwigshafen is the world's largest integrated chemical complex

Germany's industrial sector has sounded the alarm over a [new emergency warning system](#) to manage the country's energy security in case Russia cuts supplies of natural gas.

German Economy Minister Robert Habeck on Wednesday announced a three-stage alert system that would ultimately give households and hospitals priority over industrial firms if gas usage had to be rationed.

The Kremlin upped the stakes in its standoff with Europe last week, by saying that "unfriendly" states would have to [pay for their gas in rubles](#) instead of euros or dollars.

G7 nations rejected the demand but the uncertainty has sparked fears that Moscow may turn off the taps in retaliation for sanctions imposed by the West over the invasion of Ukraine.

Russia has since said that ruble payments will be phased in.

# Germany triggers early warning plan for gas supplies

## Disruption would spike unemployment

Business leaders and unions have warned that any disruption to gas supplies would be devastating for Europe's largest economy, as it has not yet fully recovered from the post-COVID supply chain crisis.

One worst-case scenario involves the world's largest chemical firm BASF, whose main chemical production site in the western city of Ludwigshafen would have to be partially or fully shut down.

President of Germany's IG BCE chemical workers union Michael Vassiliadis, who also sits on BASF's supervisory board, said around 40,000 employees would have to be put on short-time working hours or laid off.

"The consequences would not only be reduced work hours and job losses, but also the rapid collapse of the industrial production chains in Europe — with worldwide consequences," Vassiliadis added.

Christian Kullmann, head of the German Chemical Industry Association (VCI), also warned that chemical plants are so complex, they "can't just be switched off and on again like a microwave oven."

"Once chemical plants are shut down, they remain silent for weeks and months," he stressed. Kullmann, who is also head of the specialty chemicals company Evonik, said the disruption would have a "huge domino effect through almost all industries."

The chemical sector is a critical part of Germany's export-oriented economy as most industries cannot do without chemical products, including car manufacturers, pharmaceutical producers and construction firms.

Natural gas is also used both as a source of energy and as a raw material by chemical producers. No other sector utilizes more of Germany's gas supply than the chemical sector, at about 15%.

## Two years needed to cut reliance on Russia

Despite promises to [cut its reliance on Russian gas](#) — the share stood at more than 50% before the invasion and has since fallen to roughly 40% — Habeck claimed that Germany is unlikely to find enough alternative sources until mid-2024.

Announcing the emergency alert system Wednesday, he said Germany's gas storage facilities are currently filled to about 25% capacity.

"The question of how long the gas will last basically depends on several factors (such as) consumption and weather," he said. "If there's a lot of heating, then the storage facilities will be emptied."

Habeck, who is also vice-chancellor, appealed to private consumers and businesses to cut their energy use, adding: "We are in a situation where every kilowatt-hour saved helps."



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If Germany were to ration gas, households and critical infrastructure like hospitals, would be prioritized over heavy industry

#### Gas alert system hailed as 'responsible'

Despite the dramatic economic fallout from any supply cut, several business groups described the early warning level as "responsible," including the Association of German Chambers of Industry and Commerce (DIHK).

Kerstin Andreae, chairwoman of BDEW, the association for the energy and water industry, said "all parties involved need to have a clear road map of their rights and obligations in the event of a supply disruption."

"We must now take concrete measures to prepare for the emergency level, because in case of a stoppage things would have to move fast," Andreae added.

With new storm clouds gathering, the German Council of Economic Experts now predicts [Germany's GDP will only grow by about 1.5%](#) in 2022, a marked correction from its earlier predictions.

**German Council of Economic Experts**  
@GCEE\_en



Updated Economic Outlook: [@GCEE\\_en](#) has lowered its outlook for 2022 and expects a GDP growth of 1.8% in Germany – for 2023 a growth rate of 3.6%. A summary of the analysis can be found here: [sachverstaendigenrat-wirtschaft.de/en/economic-ou...](#)  
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"We were already having a bad time thanks to the omicron wave and now things are even more bleak," council member Monika Schnitzer told DW.

## Germany 'needs to be prepared' for halt of Russian gas supply

### What is Germany's emergency warning plan?

The first level, which the government triggered Wednesday, is the Early Warning — when there are signs a supply emergency could develop.

The second is Alarm — when a disruption to supply or extraordinarily high demand upsets the usual balance but can still be corrected without major intervention. At this point, energy companies will be tasked with looking for alternative supplies.

The third level is Emergency — when market-based measures have failed to remedy shortages. At this stage, the network regulator must decide how the remaining gas supplies will be rationed across the country.

Under the plans announced, supplies to industry would be curtailed first, while households and critical institutions such as hospitals continue to receive available gas.

*Edited by Uwe Hessler*

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