

GERMANY - POWERING THROUGH 2025:

Legal Hurdles
and Opportunities



POWER SECTOR Q&A

WHAT ARE 4 KEY LEGAL CHALLENGES AND OPPORTUNITIES FOR THE NEXT 12 MONTHS IN GERMANY

1. FOR DEVELOPERS OF RENEWABLE GENERATION ASSETS?

Over the next twelve months, developers of renewable generation assets in Germany will have to navigate a complex legal landscape that is both well-established and somewhat challenging. Overall, this legal landscape is shaped by significant opportunities and persisting challenges. Ongoing regulatory reforms, particularly to the Renewable Energy Sources Act (“EEG”) and the Energy Industry Act (“EnWG”), will require close legal attention.

Developers must ensure they remain compliant with the evolving rules on grid access, remuneration schemes and reporting obligations. Grid access and congestion remain pressing issues.

Although the Government supports the co-location of renewables with storage systems - as outlined in the new Government’s coalition agreement as part of a strategy to strengthen system integration - legal hurdles persist.

Transmission bottlenecks, particularly between northern Germany, which is rich in renewable generation assets, and industrial offtake clusters

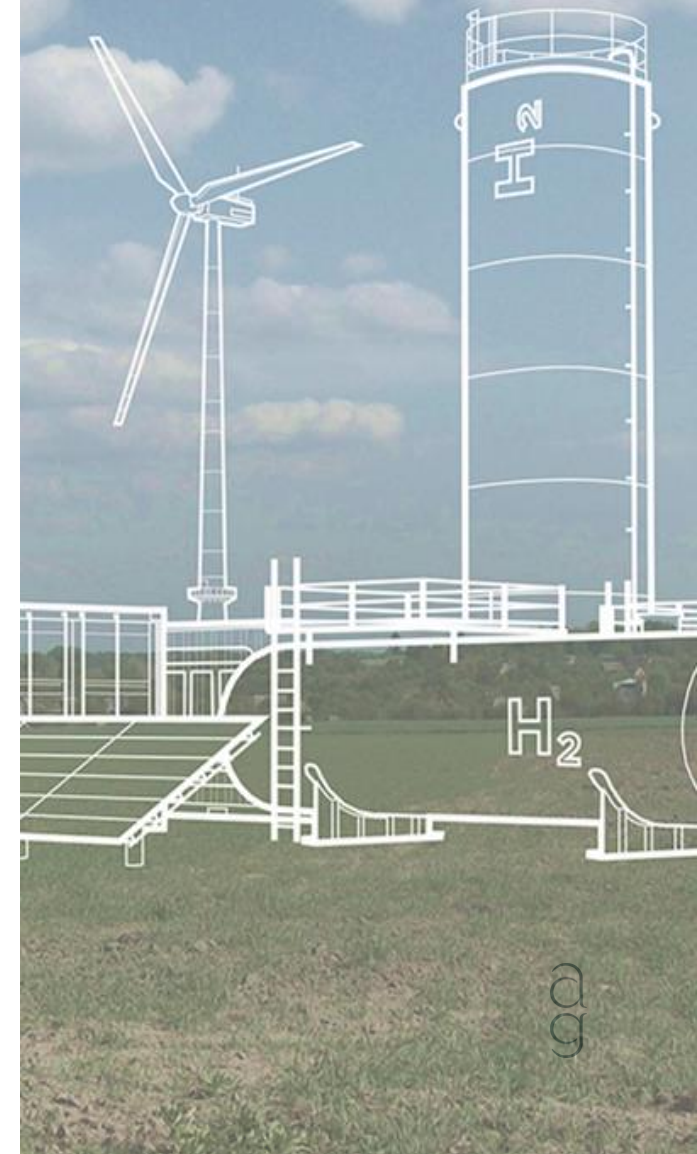
in the south, create risks and complicate the current legal process for securing grid capacity.

While energy storage is increasingly treated on equal legal footing with generation assets, strict technical standards for integration must be observed closely. At the same time, legal reforms aimed at accelerating permitting procedures, particularly for the repowering of older installations, are creating new investment opportunities.

Although progress varies across federal states, the overall trend is towards simplification and faster permitting procedures.

Projects combining generation with flexible consumption or storage may benefit from targeted support and improved legal frameworks aimed at grid stability and price dampening.

In summary, legal agility, proactive compliance and scouting the best locations with legal implications in mind (such as grid access, off-take pricing, and access to flexibility options) will be key for renewable energy developers aiming to capitalise on Germany’s evolving regulatory and infrastructural environment.



POWER SECTOR Q&A

WHAT ARE 4 KEY LEGAL CHALLENGES AND OPPORTUNITIES FOR THE NEXT 12 MONTHS IN GERMANY

2. FOR DEVELOPERS OF TRADITIONAL / BASELOAD GENERATION ASSETS?

Over the next year, developers of traditional or baseload generation assets in Germany will operate in a legally defined environment with a fixed termination date, but one that also offers interim opportunities. Following the nuclear phase-out and the ongoing coal exit, baseload generation is facing a period of structural decline, but there are still transitional opportunities.

Nonetheless, these assets must comply with increasingly stringent environmental and decommissioning regulations, including rehabilitation obligations under federal and European law. A significant legal opportunity will stem from the planned tenders for hydrogen-ready gas power plants outlined in the coalition agreement in April 2025. Up to 20 GW of new capacity will be awarded in a technology-neutral manner. Nevertheless, delays in passing enabling legislation and the absence of a transparent regulatory timeline undermine planning security.

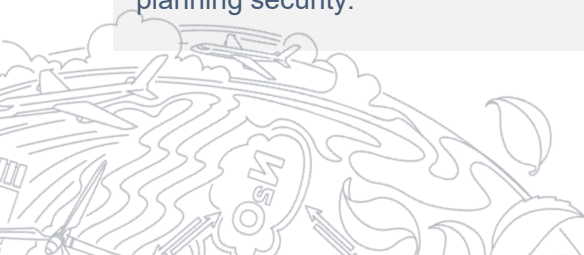
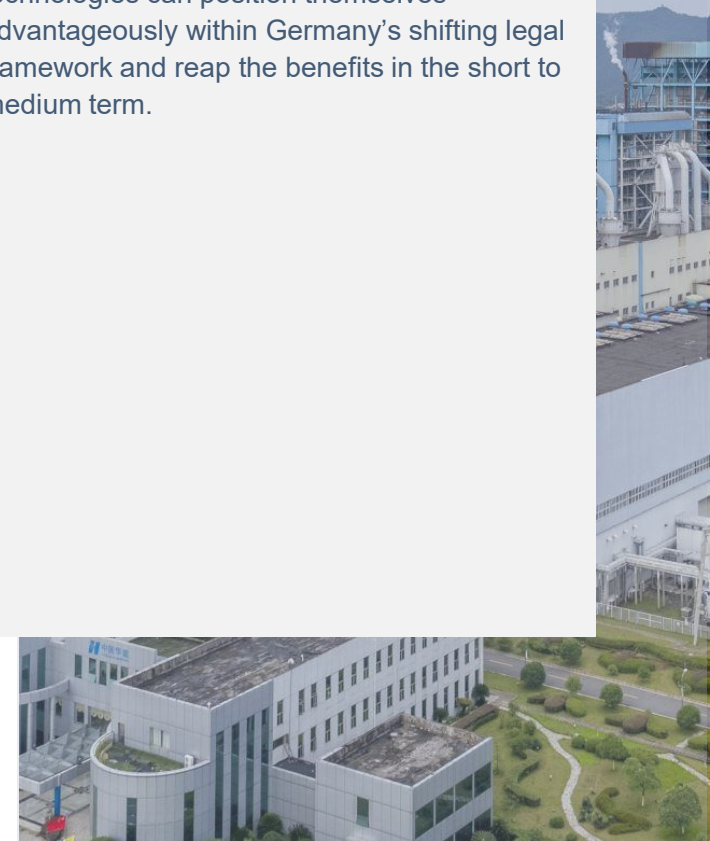
Furthermore, developers must navigate pending technical definitions (e.g. 'hydrogen-ready') and eligibility criteria. A critical legal challenge is the continued absence of a functioning capacity market or price floor.

Traditional assets that provide grid stability lack reliable legal mechanisms to ensure revenue adequacy during periods of low prices or renewable energy surpluses. Traditional baseload generation assets, such as those using lignite and hard coal, present challenges for developers and operators in terms of the necessary CO₂ certificates, given the relatively high certificate prices of today and until 2030. Conversely, there are opportunities for developers and operators who purchased CO₂ certificates in large quantities when prices were significantly lower.

The government's promised reform of electricity market design and capacity mechanisms (known as the "Kraftwerksstrategie") could provide some

relief, but it is still in the early stages of legal implementation.

In summary, although time is running out for traditional/baseload generation assets in Germany, developers who engage with policy processes early on and align with future-ready technologies can position themselves advantageously within Germany's shifting legal framework and reap the benefits in the short to medium term.



POWER SECTOR Q&A

WHAT ARE 4 KEY LEGAL CHALLENGES AND OPPORTUNITIES FOR THE NEXT 12 MONTHS IN GERMANY

3. ... FOR POWER STORAGE?

Power storage projects, particularly battery energy storage systems (“**BESS**”), are currently attracting significant investment in Germany. Over the next twelve months, power storage developers in Germany will operate in a regulatory environment characterised by evolving opportunities and ongoing changes to the legal framework, which will give rise to legal uncertainties. The main challenge that BESS projects face, and will continue to face, is securing a grid connection that utilises their full capacity. The difficulty of this varies significantly by region and depends on the Transmission or Distribution Service Operator in charge. In areas where demand is high, developers often encounter limited or no grid capacity, particularly for large-scale BESS. Depending on the availability of construction plots and the distance to the last remaining grid connection points, grid operators will charge relatively high one-off construction cost contributions (known as the “Baukostenzuschuss”, or “BKZ”) in addition to a share of the grid expansion costs.

The new regulation of Sec. 17 para. 2b EnWG introduces an opportunity specific to power

storage projects, allowing for more flexible grid connection agreements with limitations regarding the feed-in and off-take capacity at specific times. This enables grid operators to grant grid access in excess of the available capacity at a given grid connection point, known as “Überbauung”. Additionally, Sections 8 and 8a of the EEG address flexible grid connection agreements, clarifying that the joint use of grid connection capacity at a specific grid connection point by different installation operators — including off-takers and generation assets, as well as BESS — and the responsible system operator can be agreed upon as part of a flexible grid connection agreement. “Cable pooling” is regarded as a special case of said flexible grid connection agreements.

However, uncertainty remains as to the legal classification of BESS for planning and building law purposes. Although storage is increasingly recognised as “system-relevant infrastructure”, permitting procedures are not uniform across Germany. Another major challenge concerns the economic and legal risks related to fluctuating electricity prices. Although volatility

can generate arbitrage revenues, falling spreads due to increased renewable integration could affect profitability, particularly in the medium to long term.

In the coalition agreement, the new Government has recognised storage as a technology of overriding public interest. Future regulatory adjustments are expected to improve legal certainty and incentivise BESS, especially in regions with favourable grid connection, in combination with renewable generation and co-location projects. In summary, developers who address issues such as permitting, grid access and compliance with evolving cost regulations proactively can benefit from Germany’s growing political and legal support for BESS.



POWER SECTOR Q&A

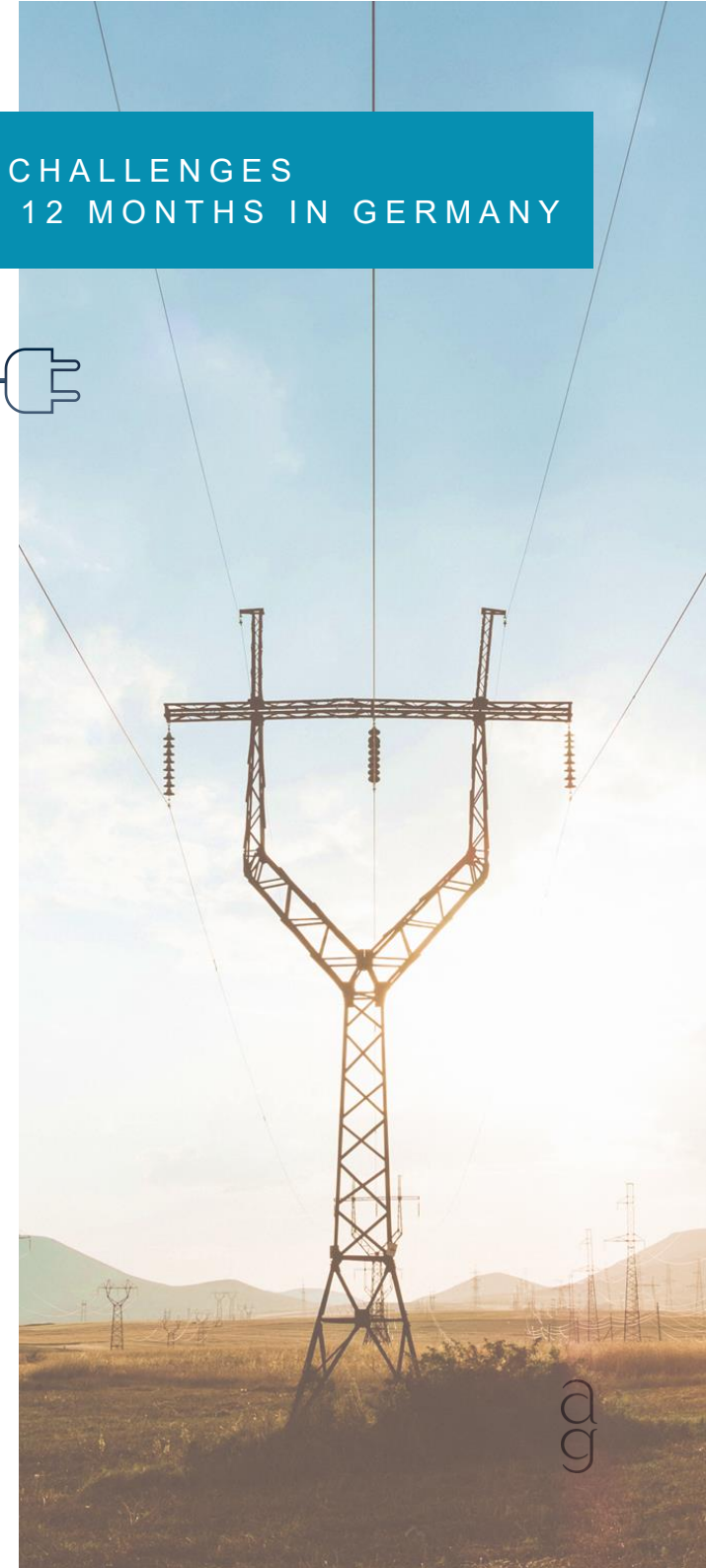
WHAT ARE 4 KEY LEGAL CHALLENGES AND OPPORTUNITIES FOR THE NEXT 12 MONTHS IN GERMANY

4. ... FOR OWNERS AND OPERATORS OF ELECTRICITY TRANSMISSION AND DISTRIBUTION INFRASTRUCTURE?

Over the next twelve months, owners and operators of electricity transmission and distribution infrastructure in Germany will have to navigate a rapidly evolving legal and regulatory environment. A significant change stems from a recent ruling by the European Court of Justice which confirmed the Federal Network Agency ("BNetzA") as the independent regulatory authority. This enhances BNetzA's legal authority over tariffs and investment frameworks, which will likely lead to stricter compliance requirements and updated regulatory oversight. One of the most urgent challenges is financing the expansion and modernisation of the grid. In their coalition agreement, the government confirms the necessary federal support for infrastructure development. However, the scale of investment required by the energy transition necessitates substantial access to the capital markets and innovative project finance models. Legal certainty around cost recovery and tariff regulation is essential for securing investor confidence.

Grid operators will also have to manage the integration of decentralised renewable energy sources and increasing demand-side flexibility, particularly in light of the new obligations set out

in Sec. 14a EnWG and the so-called 'Redispatch 2.0'. These laws require technical and legal adaptations to ensure system stability, balancing cost efficiency with grid reliability. Furthermore, ENTSO-E's proposal to divide Germany into several electricity bidding zones introduces legal and economic uncertainty. A potential market split could affect congestion management, revenue models and planning obligations. Meanwhile, approval of the national Grid Development Plan will provide operators with a legally defined roadmap for expansion, but adherence to complex procedural and environmental standards will be required. In summary, while the legal environment offers opportunities through expanded mandates and funding, it also demands compliance with evolving regulatory frameworks and investment conditions, now under the greater authority of the independent regulator BNetzA.



CONTACTS



DR. BORIS SCHOLTKA

Partner

E: boris.scholtka@aglaw.com

T: +49 (0)152 244 36712



KARL HOLTkamp

Partner

E: karl.holtkamp@aglaw.com

T: +49 (0)152 244 36102





addleshawgoddard.com

@ Addleshaw Goddard LLP. This document is for general information only and is correct at the publication date. It is not legal advice, and Addleshaw Goddard assumes no duty of care or liability to any party in respect of its content. Addleshaw Goddard is an international legal practice carried on by Addleshaw Goddard LLP and its affiliated undertakings – please refer to the Legal Notices section of our website for country-specific regulatory information. For further information, including about how we process your personal data, please consult our website www.addleshawgoddard.com or www.aglaw.com. ADD.DOC.195.25.PPT-8