

District heating: prices to rise and then fall

Statutory escalator clause takes effect on July 1, 2023 – Governmental brake on heating prices continues to curb costs for consumers – Falling prices expected from January 2024 onwards

Essen/Gelsenkirchen/Bottrop. Essen-based district heating company Iqony Fernwärme is announcing its regular adjustment of district heating prices. They will rise by an average of 28 percent from July 1, 2023. However, the government's heat price brake continues to mitigate the cost increase for consumers. The main reason for the new district heating price is the increase in costs in the second half of last year, which were driven up in particular by the rise in natural gas and CO₂ prices. With falling energy prices in the first half of 2023, Iqony Fernwärme currently expects district heating prices to fall again at the beginning of 2024.

The price of district heating is generally based on a so-called escalator clause, which regulates how the district heating price changes in response to cost and market factors. The legislature has clearly regulated price adjustments in Section 24 (4) of its Ordinance on General Terms and Conditions for the Supply of District Heating (AVBFernwärmeV). Iqony Fernwärme's escalator clause is based on this. The formula draws on the developments in Iqony Fernwärme's main costs and heat sources. The indices and quoted prices used by Iqony Fernwärme – the price-determining elements – come predominantly either from the Federal Statistical Office or from the European Energy Exchange. Both are independent public-law organizations which record these price developments.

For the Essen-based district heating supplier Iqony Fernwärme, this means that it will have to increase its energy price from 11.62 cents/kWh gross to 15.85 cents/kWh (including VAT) on July 1, 2023. As the base price and meter charge remain unchanged, this results in an average price adjustment of 28 percent. The price increase results in particular from cost developments at Iqony Fernwärme in the second half of 2022, which are now reflected with a time lag in the prices charged to customers. Due to the global political situation, the price-determining elements of district heating have become significantly more expensive: For example, the price of gas rose by around 60 percent in the second half of 2022. CO₂ prices increased by more than 50 percent in 2022, and the heat price index rose by more than 20 percent in the period from October 1, 2022, to March 31, 2023. The capital goods index also increased more sharply than in the past by about 7 percent in 2022 as a result of

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high inflation. This development is now reflected in higher district heating prices at the next regular price adjustment on July 1.

Michael Straus, Commercial Director of Iqony Fernwärme, comments as follows: “Since rising energy prices for district heating only have an effect with a time lag in the following year, the cost increases from 2022 are now having an impact. For the same reason, however, we can assume today that prices for district heating will come down again at the beginning of 2024 – thanks to lower energy prices in the first half of this year.”

Relief from heat price brake

However, consumers will not have to bear the full brunt of the price increase for district heating; it will be largely cushioned by law. This is ensured by the so-called heat price brake, which will be in place at least until December 31, 2023 and is currently being discussed for extension until the end of the first quarter of 2024. The heat price brake stipulates that only an energy price of 9.5 cents/kWh (including VAT) will be charged for 80 percent of expected consumption. Only consumption in excess of that amount will be billed to customers at the contractually agreed price.

Climate-neutral by 2040

Today, Iqony Fernwärme is already working to become independent of fossil, carbon-based energy sources in the medium term and to switch completely to renewable sources along with unavoidable start-up heat. “The further broadening of the source portfolio and the planned phase-out of gas and fuel oil will enable us to become climate-neutral by 2040,” says Matthias Ohl, Technical Director of Iqony Fernwärme. This will also have a positive impact on consumers, who will prospectively receive climate-neutral district heating without having to make any changes themselves.

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About Iqony Fernwärme

Iqony Fernwärme GmbH, based in Essen, is jointly owned by Iqony GmbH (51 percent) and MEAG (49 percent). As a regional energy provider, Iqony supplies private households, large customers and property companies with district heating, the majority of which is generated in combined heat and power plants. Each year, STEAG makes around 1.6 billion kilowatt hours of thermal energy available to its customers – equivalent to the needs of over 275,000 households. This makes Iqony Fernwärme one of the largest district heating companies in Germany.

About Iqony

Iqony makes green energy feasible. With more than 85 years of experience in the planning, construction and operation of energy facilities, the company provides holistic solutions for the decarbonization, decentralization and digitalization of the energy supply. Iqony focuses on renewable energies and bridging technologies that can be used in a climate-neutral way now and in the future. In addition to solar, wind and geothermal energy, the portfolio includes hydrogen solutions, storage technologies, engineering services and gas-fired power plants. Around 2,300 employees worldwide implement projects for major industrial companies, utilities, cities and municipalities in numerous countries across the globe. Specializing in tailor-made solutions for complex challenges, Iqony draws on its broad and in-depth knowledge of the energy industry across the full range of technologies and services.

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