Press release

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Moderate GDP Decline if Russian Energy Imports Stopped

If the German government were to stop Russian energy imports, the German economy would be able to adapt to the new situation. This is shown in a recent study by the research team led by economists Prof. Dr. Moritz Schularick and Prof. Dr. Moritz Kuhn, members of the ECONtribute Cluster of Excellence at the Universities of Bonn and Cologne. The study has been published as "ECONtribute Policy Brief".

The researchers analyzed the potential economic impact of a cut-off from Russian energy imports. The result: The consequences would be substantial, but manageable. Germany would not run out of energy. However, oil, hard coal and gas would have to be imported from other countries and industry would have to be restructured in the long term. According to the study, gross domestic product (GDP) would decline by something between 0.5 and 3 percent in the short term, which is equivalent to costs between 100 and 1,000 euros per year and inhabitant. For comparison: GDP fell by 4.5 percent in 2020 due to the Corona pandemic.

Policymakers underestimate effects from switching to alternatives

Oil and coal imports from Russia could relatively easily be replaced by imports from other countries. It is more difficult with gas: There is no pipeline infrastructure for deliveries from other regions and only fewer available gas terminals. According to the German Federal Statistical Office, Germany currently obtains around half of its annual gas demand from Russia. The researchers used a macroeconomic model to calculate the economic consequences of stopping these imports and combined the results with data on German energy consumption. Gas from other countries such as Norway, Algeria or Azerbaijan and the use of other fuels for electricity production, such as coal or nuclear energy, could probably only reduce the deficit to about 30 percent.

Expensive gas would have to be stored over the summer to meet consumption demand in the coming winter. Overall, however, the cost of the import stop should not rise above three percent of GDP, even in the most pessimistic scenario. "Policymakers underestimate that industry and consumers will adapt when prices are higher," says Moritz Schularick, a professor at ECONtribute at the University of Bonn. So they will, for example, switch to other energy sources or reduce consumption.

Relieve low-income households

The researchers are calling on policymakers to provide targeted support for low-income households while implementing incentives for lower gas consumption. "If an embargo is desired, it should start as soon as possible so that industry and households can adjust during the summer," Schularick says. Even if an embargo is not imminent, it is advisable to continue raising energy prices now, he said. In the long term, the gas infrastructure to other countries also needs to be expanded, he adds.

ECONtribute: The only cluster of excellence in economic sciences
The study was partly conducted within the framework of ECONtribute. It is the only cluster of excellence in economic sciences funded by the German Research Foundation – supported by the universities of Bonn and Cologne. The cluster conducts research on markets in the area of tension between business, politics and society. The aim of ECONtribute is to better understand markets and to find a fundamentally new approach to the analysis of market failures that meets the social, technological and economic challenges of today, such as increasing inequality and political polarization or global financial crises.

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