

# SPECIAL BRIEFING ON GERMAN COALITION AGREEMENT

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# SPECIAL BRIEFING ON GERMAN COALITION AGREEMENT

The coalition agreement has been completed. It starts with the promise “**Daring more progress – Alliance for freedom, justice and sustainability.**” The traffic light coalition has survived the first test and kept to its ambitious schedule in record time. The negotiations lasted just over a month. The main negotiators settled the last conflicts and presented their results as well as the distribution of ministries on Wednesday, November 24th. In the coming days, the parties will vote internally on joining the coalition through different processes.

Then in the first week of December, both the coalition agreement is to be officially signed and Olaf Scholz is to be elected as the new Federal Chancellor.



**OLAF SCHOLZ**  
Federal Chancellor of Germany

- Which party gets which ministries?
- What does the agreement say?
- What does it not say?
- What can we expect from the content and where will further solutions be necessary?
- Where could conflicts arise between the governing parties?

# ECONOMY AND TRADE



There will be a newly tailored super-ministry under the current co-chair of the Greens, **Robert Habeck**.

Its stated goal will be the socio-ecological transformation of the German economy.

## Transformation of industry

The domestic industry sector is to become climate-neutral and more innovative through massive public and private investment, while remaining competitive. The public development bank KfW should be able to secure private capital at risk and promote lighthouse projects and climate-neutral products with a transformation fund, as well as create incentives for lead markets such as hydrogen. To this end, it is to support SMEs in the transformation. Germany wants to become a centre for research, production and recycling of battery cells as well as an important location for the semiconductor industry. A recycling industry is to be established.

Furthermore, carbon contracts for difference (CCfD) are to be used for the transformation, carbon leakages are to be prevented through a CO<sub>2</sub> border adjustment and electricity prices are to remain competitive. With regard to the CO<sub>2</sub> price, the EU Emissions Trading Scheme will be used in the medium term and central instruments such as a CO<sub>2</sub> minimum price would ideally be organised in an international climate club. Public procurement will introduce minimum quotas for climate-friendly products. Technical negative emissions are to be taken into account in the long term.

## Mobility

By 2030, 15 million fully electric, exclusive hybrid cars will be on the road in Germany and one million public charging points will be available. No phase-out of the internal combustion engine is mentioned, only the EU target of 2035 is referred to. The purchase premiums for e-cars and hybrids are to be phased out over the years and expire in 2025. The specifications for hybrids and electric mileage will be tightened, diesel tax benefits will be examined.

Rail freight transport is to be increased to 25%, the network generally expanded, more international night train services created and prices reduced. For air transport, an EU-wide air traffic levy is to be advocated and dumping prices are to be ended. In the maritime sector, key objectives are climate-friendly ship propulsion, modernisation, recycling and competitiveness.





## ■ ■ ■ ECONOMY AND TRADE

### Competition and trade

Competition is to be geared more towards innovation, sustainability and consumer protection, especially data protection and IT security. One wants to strengthen the Federal Cartel Office and weaken the ministerial authorisation procedures. At the EU level, too, there is support for an ambitious Digital Markets Act and a ban on so-called killer acquisitions.

Free trade should be expanded on the basis of socio-ecological standards. Chain of custody obligations should be strengthened but not be too burdensome for SMEs. CETA and an FTA with Mercosur will be improved, the EU-China investment agreement will not be ratified for the time being. The WTO is to be further developed in line with the SDGs and the Paris Climate Agreement, and international subsidy reduction is to be pushed.

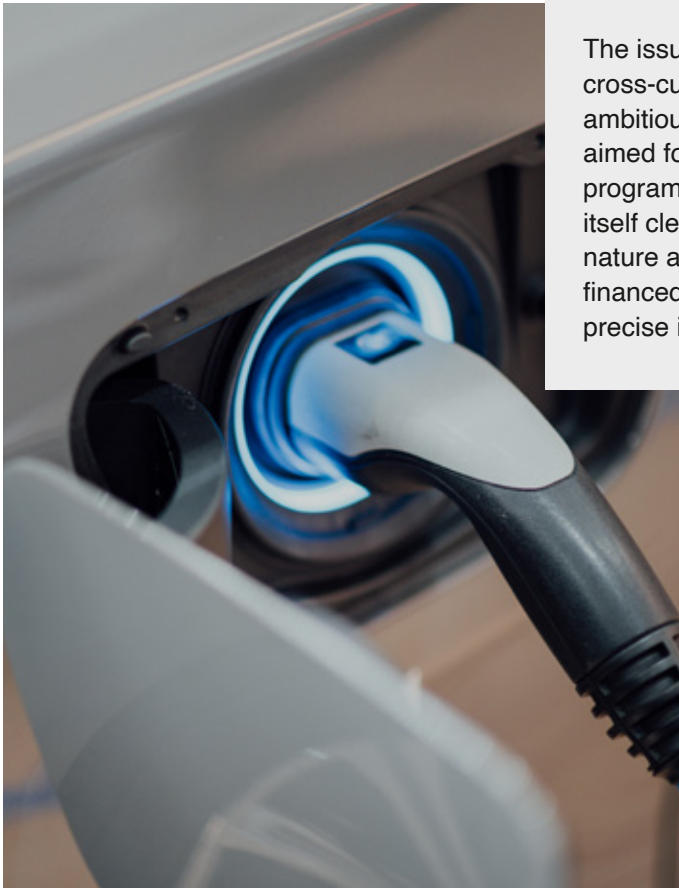
The aim is to develop the circular economy with ambitious requirements for products in dialogue with manufacturers and to strengthen producer responsibility. Digital product passports, a recycling label and the principle of data minimisation will be introduced, and resource-saving and recycling-friendly packaging design will be promoted.

### Other areas

Germany wants to become a country of start-ups and create new forms of business oriented towards the common good. To this end, funding instruments will be de-bureaucratized, bundled and strengthened. More skilled workers are to be attracted through expanded immigration law and easier recognition of qualifications. Basically, bureaucracy is to be reduced to a great extent and public procurement law is to be further developed and more strongly oriented towards sustainability.



# ENERGY AND CLIMATE



The issue of climate protection is treated as a cross-cutting task and is reflected in all policy areas. An ambitious climate protection emergency programme is aimed for by the end of 2022 and the EU's "Fit for 55" programme is supported. Overall, the coalition sees itself clearly on the 1.5 degree path. Environmental, nature and animal protection should be more strongly financed and legally clarified. Higher standards and the precise implementation of EU law serve this purpose.

## Fossil energy

The phase-out of coal should be brought forward to 2030, if technically feasible. Gas-fired power plants will continue to be built on a transitional basis, but must be suitable for conversion to hydrogen and climate-neutral gases. A gas phase-out date is not specified. Affected regions will be supported earlier in the transformation process. If necessary, the dismantling and renaturation will be implemented by a foundation.

## Expansion of renewable energies

Their share of electricity consumption is to increase to 80 percent instead of 65 percent by 2030, with an estimated electricity consumption of 680–750 instead of 580 terawatt hours. To achieve this, grid expansion is also to be increased with the help of clear planning and responsibilities as well as strong investments. Priority is to be given to expansion in the planning process, in consideration of other interests such as nature conservation. Approval and authorisation procedures are to be accelerated, and the workload of the authorities is to be eased by external project teams. Legal certainty for species protection standards is to be provided by uniform assessment methods. Municipalities and citizens should benefit more from local expansion.

## Electricity market design

The coalition plans a new design involving stakeholders by the end of 2022. In general, cross-sectoral use, decentralised generation and the avoidance of greenhouse gas emissions are to be strengthened. Including the CO<sub>2</sub> price, the state-induced price components will be reformed. The grid charges will also be renewed. Financing via the EEG levy will end in 2023 and be taken over by revenues from emissions trading and from the federal budget. The promotion of renewables will end with the coal phase-out. Companies will no longer be burdened overall. PPAs and a Europe-wide trade in guarantees of origin are to be strengthened.



## ENERGY AND CLIMATE

### Solar energy

The installed solar capacity is to be more than tripled to 200 gigawatts by 2030 with a photovoltaic obligation on commercial roofs.

### Wind energy

Two percent of the federal territory is to be reserved for onshore wind energy. It should be possible to replace old wind turbines with new ones without much bureaucracy.

Offshore wind energy is to be expanded to 30 GW by 2030 (previously 20 GW), to 40 GW by 2035, and to 70 GW by 2045. The responsible authority BSH is to be significantly expanded to speed up procedures. In the exclusive economic zone AWZ, sufficient areas are to be made available, expansion is to be prioritised and co-utilisation is to be made possible. 10 percent of the AWZ will become species protection zones. The salvage and destruction of ammunition dumps in the North Sea and Baltic Sea is to be financed by a federal-state fund.

### Heat

Climate-neutral heat is to cover 50 percent of demand in 2030. From 2025, purely fossil-fuel heating systems will be banned in new buildings. They must be based on at least 65 percent renewable energy.



### Emissions trading

The phase-out of coal is also to be accelerated through the European trade in CO<sub>2</sub> pollution rights. To this end, it plans an EU minimum price, but in any case a national minimum price of 60 euros per tonne (currently about 70 euros). A social compensation mechanism is to be introduced.

### Hydrogen

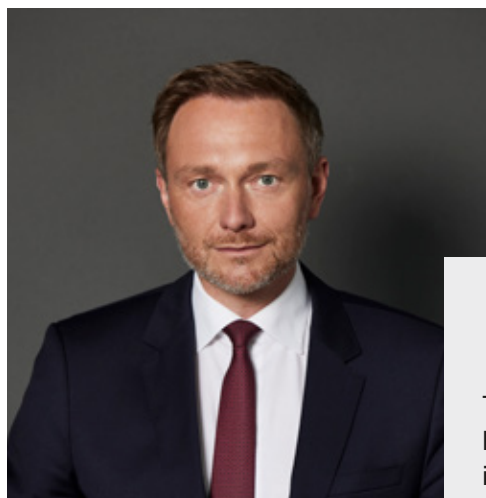
Hydrogen is to become a lead market through targeted incentives, quotas and strong promotion. The electrolysis capacity is to amount to ten gigawatts in 2030. Hydrogen is to be used centrally where electrification does not make sense, but one does not want to limit its use and promote technologies in all directions. Blue hydrogen will presumably also be classified as climate-neutral. A European hydrogen union with uniform certification is to be founded and international energy partnerships entered into.

### To be noted

The role of the existing CO<sub>2</sub> levy on petrol, heating oil or gas is not to be increased. The reason for this is the already high price level for energy, so that it will be dispensed with for social reasons.

A phase-out date for gas is not mentioned. It is also noteworthy that the funding is “open to technology”. One also looks in vain for a statement on the controversial Nordstream 2 gas pipeline.

# FINANCES AND TAXES



The Ministry of Finance under FDP leader **Christian Lindner** has set itself the goal of ensuring the transformation of the German economy by significantly **increasing investment, both private and public**, in a long-term plan. In addition, many barriers to financial services and products are to be dismantled.

## Investments

The public KfW is to act as an innovation and investment agency, for example providing risk insurance or strengthening the capital base. Other development banks, such as the European Innovation Bank, should also be involved. State-owned companies, such as the German railways, are to be strengthened and their financing options improved.

## Budgeting policy

The debt brake is not to be complied with again until 2023, which will allow scope for further debt, especially with a view to Covid 19. Subsidies and subsidies that contradict the climate goals will be dismantled. Private-public partnerships are to be entered into only for selected projects if they are assessed as more economical.

## Taxes

There will be no new taxes on assets, and income, corporate and value-added taxes will not be increased. An investment premium for climate protection and digital assets in the form of a “super depreciation” is planned. The fight against tax evasion, financial market crime and money laundering is to be strengthened and digitalised. There is to be a reporting obligation and cross-border tax arrangements.





## ■ ■ ■ FINANCES AND TAXES

### **Banking union and financial market regulation**

The development of the Banking Union is to be completed and that of the Capital Markets Union deepened. The aim is to create a European reinsurance scheme for national deposit guarantee schemes that is geared to the respective risks. Barriers to capital market transactions and differences in relevant legal areas are to be dismantled throughout the EU.

### **Financial Market Germany and Sustainable Finance**

Germany should become an important location for financial start-ups, venture capital financing and sustainable finance. A future fund is to open up the venture capital market to institutional investors as well. IPOs and capital increases will be facilitated and investment-friendly framework conditions, such as access to ratings and the preservation of the SME factor, will be created. Shadow banks are to be more strongly regulated. High-frequency trading and food speculation are also to be limited.

Green bonds will be expanded and sustainable financial products supported. At the EU level, transparency standards and reporting obligations are being advocated. Minimum requirements in the market for ESG ratings and binding sustainability risks in credit ratings of the major rating agencies are also to be established.

### **Digital financial services and currencies**

Germany is to become a new location for digital and new financial services and products. To this end, risks are to be identified quickly and appropriate regulatory frameworks created.

### **What is missing?**

The financial transaction tax demanded by the Greens and the SPD is not included. The stronger taxation of major digital companies, which was discussed by all parties during the election campaign, is also not addressed.





# DIGITALIZATION



There will be **no digital ministry** as demanded by the FDP. Nevertheless, this cross-sectional task is given a lot of space in the coalition agreement. There will be a reorganisation of competencies in the federal government, whereby the topic will remain in the FDP-led Ministry of Transport and will be supplemented by fixed interdepartmental and interagency project teams and innovation units with concrete competencies. Surprisingly, there will **not be a corresponding state secretary in the chancellery**. Where the CIO will be located is also not mentioned. Digital innovations are to be promoted by a new agency and digital competence expanded. In addition, a central digital budget and a digitalisation check for laws are planned. **Digital sovereignty is to be secured and Germany is to become a strong centre of technology.**

## Digital state and administration

Many processes and services are to be automated, digitised and standardised and bundled. There will be open standards for public IT projects, such as open source. The development of a public cloud system for public administration with open interfaces is planned.

## Digital infrastructure

The goal is a fast and comprehensive supply of fibre optics and the latest mobile phone standard. Application and approval procedures will be streamlined, network neutrality will be guaranteed.

## Digital economy and key technologies

A level playing field in competition will be created and an ambitious EU Digital Markets Act with uniform interoperability obligations and regulations on merger control as well as a stronger Federal Cartel Office in dealing with platforms will be sought. Digital start-ups, the venture capital location and the game location are to be promoted and strengthened. SMEs and start-ups will have easier access to data. Companies will be supported in the areas of IT security, GDPR-compliant data processing and the use of digital technologies

There will also be strong investment in AI, quantum technologies, cybersecurity, DLT, robotics and other future technologies. The EU Chips Act and the AI Act are to be pushed forward and joint research intensified.



## ■ ■ ■ DIGITALIZATION

### Digital citizens' rights, IT security, data use and data law

There will be a right to encryption and open data, a new data law, the promotion of anonymisation techniques and the further development of cybersecurity strategy and IT security law. The e-privacy regulation is to be adopted quickly and other areas are to be revised according to EU requirements. The coalition wants to secure digital sovereignty through a right to interoperability and portability. The EU Digital Service Act should address, among other things, the preservation of communication freedoms, strong user rights, clear reporting procedures, access to data of very large platforms for research purposes, verifiability of their algorithmic systems and clear rules against disinformation.

In dealing with digital platform groups, the Federal Cartel Office is to be strengthened and improved merger control created, "killer acquisitions" are to be prevented.

Manufacturers' liability for damages caused by IT security vulnerabilities will be increased and effective vulnerability management will be established. The BSI is to be expanded as a central agency for IT security. A data institute is to promote data availability and standardisation and establish data trustee models and licences. The data protection conference will be institutionalised and its decisions will become binding. Non-trustworthy companies that are controlled by autocracies, for example, will be excluded from the expansion of critical infrastructure.

Civil society is to be more involved in digital policy projects. A law against digital violence and better counselling services are planned.

Advertisements and other private procedures are to be possible electronically. The coalition rejects biometric recognition in public spaces, automated state scoring systems through AI, surveillance obligations, scanning of private communication and an identity obligation.



### Sustainability in digitalisation

Resource consumption is to be reduced in general and data centres in Germany are to be geared towards ecological sustainability and climate protection (climate neutral from 2027). An environmental management system will be introduced in all data centres from 2025. Mandatory certification will be introduced for federal IT procurements. Spare parts and software updates for IT equipment must be available for the usual useful life.

# EUROPE



European policy is also a prominent cross-cutting task. As already under Merkel, it will be **handled primarily by the Chancellor's Office**. The new Finance Minister Lindner, who as usual meets monthly with the EU finance ministers, will have a further role to play here as well as the new Minister of Foreign Affairs Annalena Baerbock. **In the case of a future German EU Commissioner, the right of nomination lies with the Greens.**

## Further development of the EU

The coalition emphasises the close German-French cooperation and the German-Polish friendship and wants to tackle central issues such as climate change, digitalisation, democracy and foreign policy in a European way. To this end, it would like to deepen European cooperation in many areas and further develop the EU into a European federal state, which, however, remains decentralised and organised on a subsidiary basis and becomes more transparent. To this end, the Treaties would also have to be rewritten.

The European Parliament should be strengthened and given the right of initiative. It should be elected uniformly, via transnational lists and with binding top candidates for the office of Commission President. The Council is to become more transparent and votes are to be taken predominantly by qualified majority. This would make the EU more capable of acting on many issues. Enlargement to the Western Balkans is supported after appropriate reforms.

The coalition is striving for higher standards and common strategies in the areas of inclusion, democracy, child poverty, collective bargaining, equality, youth, culture and education, health and other social rights. The EU health authorities are to be better equipped, the health data area better used and EU disaster protection expanded. Critical technology and infrastructure should be better protected, and standards and procurement should be aligned accordingly.





## ■ ■ ■ EUROPE

### Rule of Law

The coalition calls for existing instruments to be used more consistently and swiftly and for the rule of law report to be further developed. Fundamental rights EU fundamental rights charters are to be directly enforceable before the ECJ in future.

### Economic cooperation

Economic and Monetary Union is to be deepened and the internal market completed. The Stability and Growth Pact (SGP) is to be maintained, simplified and made more transparent, and debt sustainability is to be used for sustainable and climate-friendly investments. The instruments of budget protection are to be strengthened, price stability secured. Funds from the annual budget are to be used more flexibly.

The reconstruction programme Next Generation EU is to enable a rapid and forward-looking recovery after the crisis throughout Europe. An investment offensive is also to be launched in a European digital infrastructure, a common railway network, an energy infrastructure for renewable electricity and hydrogen, as well as in research and development.

### European freedom of movement

The integrity of the Schengen area is to be restored and exemptions better coordinated. Security, rule of law and humanitarian standards should play a greater role in future enlargements. The rules on the posting of workers are to be implemented with a minimum of bureaucracy. The European Labour Authority should enforce applicable law and improve controls.

### Common foreign and security policy

The coalition wants to develop the EU into a united and sovereign actor with a strong global presence. To this end, it is to become more capable of action with a genuine EU foreign ministry and decisions by qualified majority. A comprehensive concept of security is advocated, which includes crisis prevention and civilian crisis management. Foreign policy should be guided by peace and human rights. There is a clear commitment to NATO and to increased cooperation between national armies with joint structures, a headquarters and a defence fund. Civilian and military missions subject to parliamentary control

The strategic sovereignty of the EU is to be increased, especially in the areas of energy supply, health, raw material imports and digital technology.

In the relationship with the UK, close bilateral cooperation is sought, insistence is placed on compliance with agreed agreements and consistent reactions are announced in the event of non-compliance.





# FOREIGN AND SECURITY



The foreign ministry goes to the Green candidate for chancellor, **Annalena Baerbock**. Under her leadership, **climate foreign policy and diplomacy**, an active digital foreign policy and the strengthening of human rights, women's rights and the rights of other marginalised groups will become guidelines.

## Multilateralism

The United Nations is to be given more resources, the alliance of democracies strengthened and the G7 presidency used to strengthen multilateralism. The independence and work of the OSCE is also to be strengthened. The long-term goal is to invest 3 percent of GDP in international action (diplomacy, development policy, NATO).

## Foreign climate policy and diplomacy

The fight against climate change will become the central guideline of German foreign policy in cooperation with other countries. Integrated into the common EU foreign policy, an international climate club with uniform standards and instruments is to be established. In particular, close cooperation with the major emitters, the USA, China, Russia and India, is desired.

## Disarmament, arms control, arms exports

German foreign policy would like to advocate more disarmament and arms control and become more involved in formats. It advocates the peaceful use of outer space and cyberspace. European and German arms exports are to be handled more restrictively and transparently.

## Human rights and humanitarian aid

The commitment to human rights will be strengthened. To this end, national and international institutions and programmes will be strengthened, legal regimes will be joined and legal foundations will be further developed. More funds will also be made available for humanitarian aid, and better access and protection for aid workers will be advocated.

## Defence

The Bundeswehr is to be better equipped, modernised and digitalised, its capability profile adapted and made more attractive for employees. Service and labour laws are to be revised in order to combat extremism. There should be greater cooperation in armaments technology across the EU. There should be a parliamentary committee of enquiry into the evacuation mission in Afghanistan.

## Transatlantic Partnership

The partnership is to be renewed, made more European and structured along the fields of climate and energy, digital issues, human rights, global health policy, trade, connectivity, international standards, disarmament, as well as geopolitical and security issues.



## ■ ■ ■ FOREIGN AND SECURITY



### China

The relationship with China will take place in the dimensions of partnership, competition and system rivalry and along a comprehensive strategy. One expects fair rules in competition and criticises human rights violations. The government consultations are to be made more European. There are plans for close transatlantic coordination and cooperation with like-minded countries. On Taiwan, there are calls for a peaceful and consensual approach and greater involvement of the country in international organisations. With regard to Hong Kong, a return to the principle of “one country, two systems” is called for.



### Eastern Europe

Ukraine, Moldova and Georgia are to qualify for EU accession through reforms. Ukraine is to be supported in the conflict with Russia and a close energy partnership with it is to be sought.

The Belarusian opposition is to be supported, new elections, democracy and an end to Russian interference are demanded, sanctions possibly extended.



### Russia

A constructive dialogue within the EU framework is sought with Russia. An end to violations of international law in the relationship with Ukraine is demanded. The end of sanctions is linked to the implementation of the Minsk Treaty. The violation of civil, freedom and human rights is criticised. Cooperation is sought on future issues such as climate, energy and health.



### Turkey

The EU-Turkey dialogue is to be revived and the exchange with civil society and youth expanded. Accession negotiations remain paused, and the dismantling of democracy, the rule of law, human rights, women's rights and minority rights is criticised.



### Israel and Palestine

The security of Israel remains Germany's reason of state, and a two-state solution remains the desired option. Terror and violence against Israel as well as the construction of settlements in violation of international law are condemned.



### Middle East

With regard to the region, the aim is to work towards stabilisation, the implementation of women's, civil and human rights and an end to humanitarian disasters in Syria and Yemen. The nuclear agreement with Iran should be implemented as soon as possible.



### Africa

Relations are to be developed within the framework of a coherent EU-Africa strategy. There should be greater cooperation in the areas of digitalisation, energy and infrastructure as well as science. An African free trade area will be supported, agreements regarding the Sahel region will be continued.



### Indo-Pacific

Relations with Australia, Japan, New Zealand, India and South Korea in particular are to be strengthened, and regular government consultations are to take place with Japan.

# WHAT ELSE? HIGHLIGHTS FROM OTHER POLICY AREAS



- There will be a **basic child allowance** and a citizen's income instead of HartzIV. The pension and the retirement age will remain stable. The **pension will be supplemented by a capital-funded fund**, which will be endowed with 10 billion euros in a first step.
- The **voting age for European and federal elections will be lowered from 18 to 16** and young people will be given a training guarantee.
- A new ministry is created, the Ministry for Construction. It is to guarantee the construction of 400,000 new flats per year, 100,000 of them publicly subsidised. **There will be no rent brake, but mandatory rent indexes for large cities.**
- **Legal access routes for migrants are to be created**, repatriations and asylum procedures are to be accelerated.
- The **transsexual law is to be abolished** and replaced by a self-determination law. The ban on blood donation for transsexuals and men who sleep with men is to be abolished. The ban on information about abortions is to be abolished. The **term race will be deleted** from the Constitution.
- **Cannabis will be legalised** to a limited extent.

# ANALYSIS

- The new **traffic light coalition** has presented an **ambitious coalition agreement** in which it combines different approaches and in which each party can find itself. In some areas, such as the promotion of start-ups, this leads to detailed descriptions of measures, in others to diplomatic and unclear formulations.
- In digitalisation, some goals are clearly formulated and **legislative projects are foreseeable, but the way to get there is not yet clear.**
- In energy policy, it is clear that the FDP wants to **keep as many doors open as possible for different technological approaches.** Here, the coalition could be caught up by industry pressure for a clear framework and by technological reality.
- As was already the case after the exploratory paper, the area of financing in particular lends itself to future conflict. Massive public investment is promised and some new funding instruments are envisaged. **However, clear financing paths remain unclear, to say the least.**
- Traditionally, the **coalition agreement is worked through quite precisely** by governments. If this is done and succeeds this time as well, things will change. It should be noted that the **narrative and objective of the agreement is set for considerably more than one legislative period.** This coalition wants to be re-elected and must now be measured against this.





# WHO IS WHO? OLAF SCHOLZ AND HIS CABINET.



## PREVIEW

In our next Special Briefing, we will take a closer look on the new cabinet under the new Federal Chancellor Olaf Scholz. Who is who? What do the new ministers stand for and what can be expected from them? What are the first topics on the agenda?"

## OUTLOOK

The coalition agreement and the new cabinet are in place. Usually, a new government wants to start with a lot of momentum. Given the ambitious goals and high expectations, it will be exciting to observe which issues and measures will be tackled with priority.



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with clarity, relevant competencies  
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create remarkable, effective  
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and with our clients.“**

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