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Elections in Germany: what future for climate policy in an uncertain political landscape?

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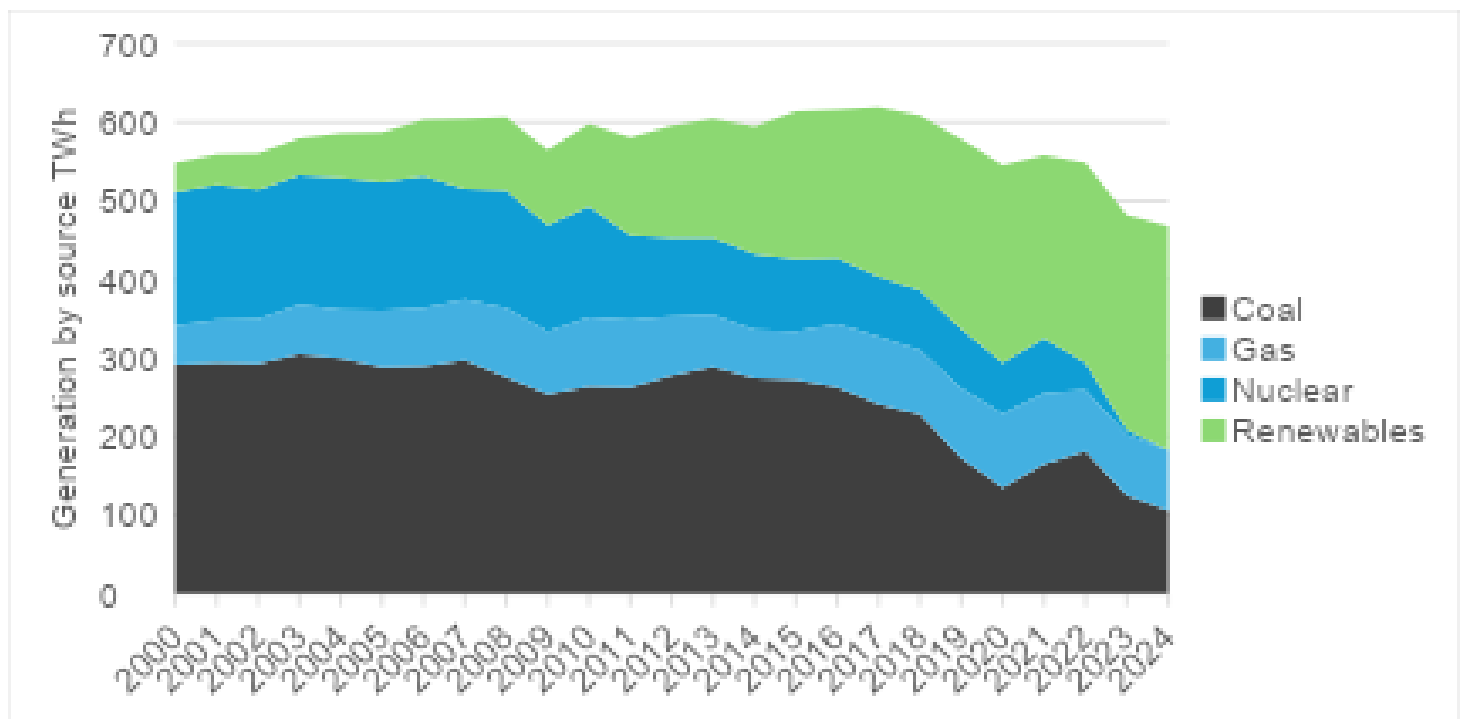
With the implosion of the ‘traffic-light’ coalition led by Olaf Scholz and the announcement of snap elections scheduled for 23 February 2025, Germany has entered a phase of political reconfiguration. While the victory of the conservative CDU party seems almost certain, the composition of the future government coalition remains unclear. The same applies to its position on climate policy, an issue that has been relegated to second place in favour of the economy and immigration, in line with the dynamic at work in Europe. But the political swing should still have a structuring effect on the future of the German energy transition and the European Green Deal.

The development of renewable energies, a showcase for Germany's energy transition

Despite the economic slowdown and political uncertainties, the development of renewable energies (RE) has seen an unprecedented acceleration in Germany in recent years. Driven by record growth in solar power (more than 16 GW of capacity connected in 2024), renewables accounted for almost 60 % of electricity production in 2024, doubling their share over the past 10 years.¹ Helped by falling consumption and rising net imports (particularly from France)², the boom in RE has led to a further reduction in the use of coal (-15%), whose share of production is now limited to 21% of the mix.

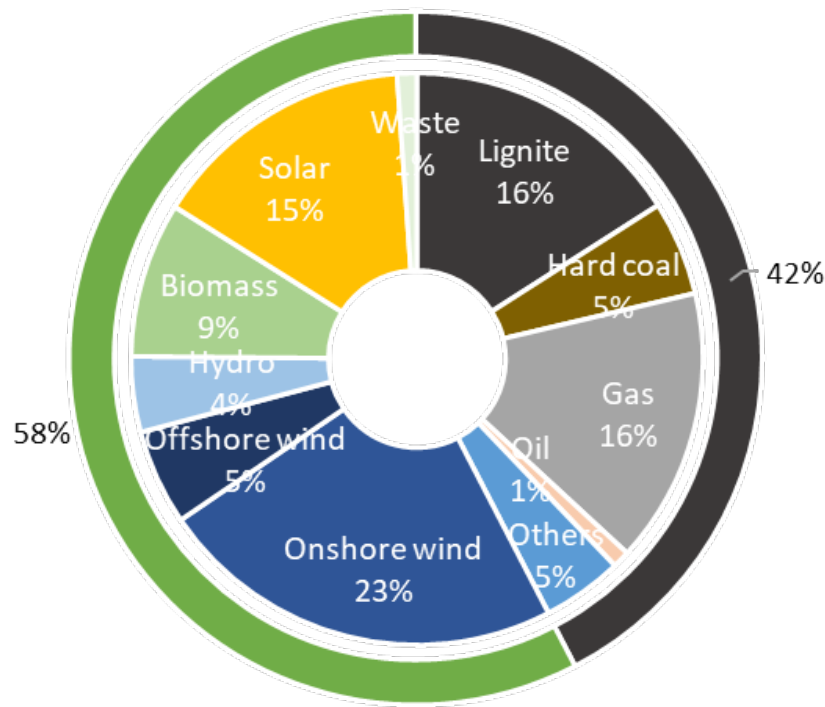
However, the goal of achieving an 80% renewable electricity mix by 2030 (and carbon-neutral by 2035) remains highly ambitious. In addition to the unprecedented development of wind and solar power capacity, the success of the electricity transition will depend to a large extent on the speed with which grid infrastructure (electricity and hydrogen)³ is deployed, as well as on increasing the flexibility of the electricity system as a whole (IDDRI, 2024), on both the demand and supply sides (including new dispatchable capacities)⁴.

Figure 1: Electricity generation in Germany by source between 2000 and 2024 (TWh)



Source: IDDRI, AGEBA data (2025)

Figure 2. Electricity generation by source in Germany in 2024 (in %)

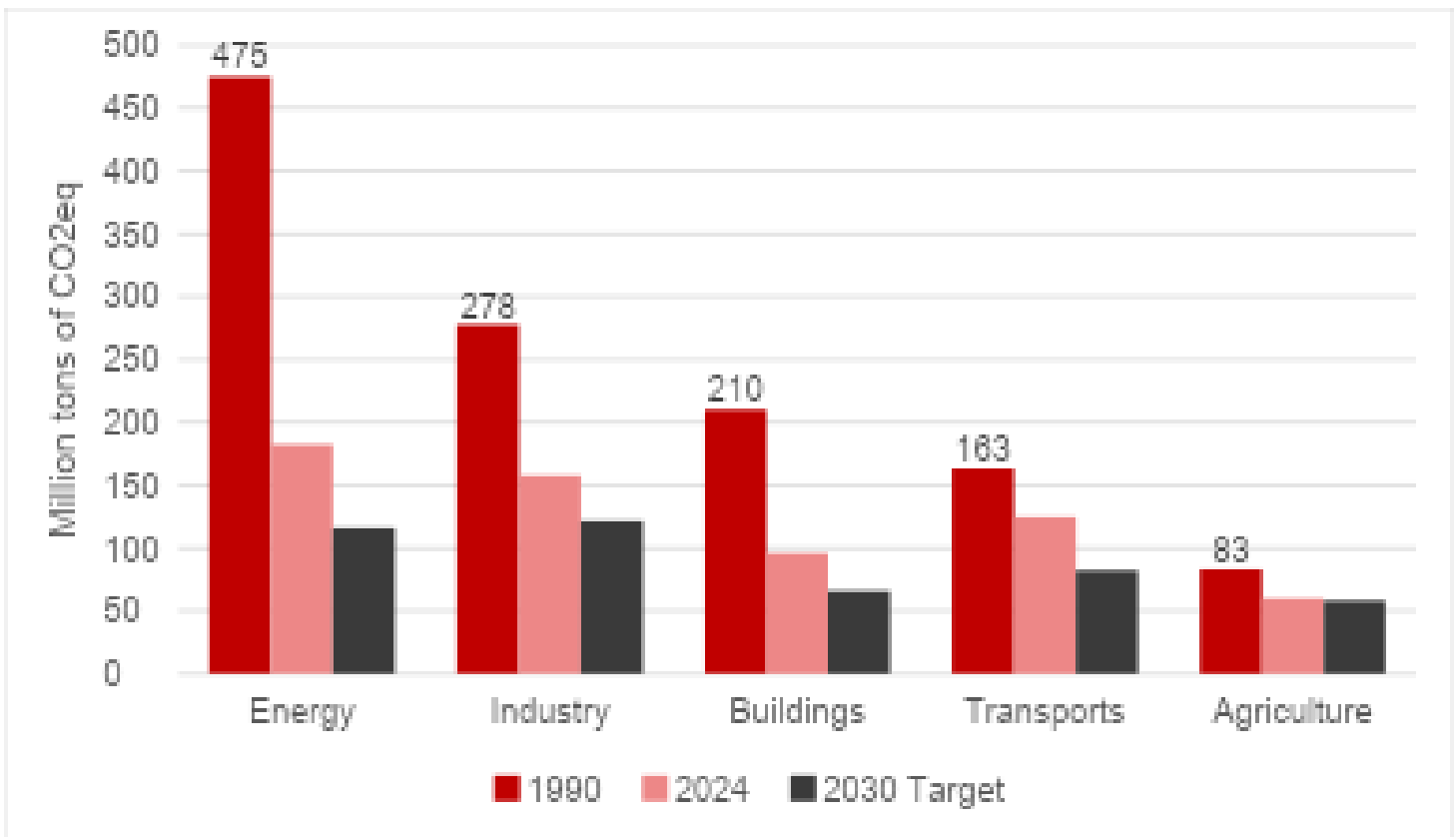


Source: IDDRI, AGEBA data (2025)

2030 targets under threat

Between 1990 and 2024, Germany halved its greenhouse gas emissions (-48%), a reduction mainly driven by the transformation of the energy sector (-61%). However, the transport and buildings sectors are lagging behind, and are gradually moving away from the trajectory set out in the Climate Protection Act.⁵

Figure 3: GHG emissions in Germany by major sectors in 1990, 2024 and 2030 targets



Source: IDDRI, Agora Energiewende data (2025)

Two trends illustrate the uncertainty weighing on transition policies in these two sectors: with 380,000 sales, the market for electric vehicles fell by 26% between 2023 and 2024, marking a growing gap with the target of 15 million vehicles by 2030.⁶ The trend is even more worrying for heat pumps, with a 44% fall over the year in Germany and Europe as a whole.⁷ In both cases, getting back on track will depend not only on greater political ambition and public funding, but also on improved integration of social justice, by targeting aid on the lowest-income households, who have been particularly hard hit by the energy and purchasing power crises.⁸

Energy prices are still high for households and business, despite the slight reductions in electricity and gas prices observed in 2024 compared with the peak of the crisis in 2023. At an average of 41 cents per kWh, electricity prices for households are now 30% higher than in 2021 (and 60% higher than in France), which clearly raises concerns over the attractiveness of electrification measures, despite gas prices themselves being 65% higher than before the crisis.⁹

The situation improved slightly for German industry, which was very badly affected from 2022 onwards by the surge in gas and electricity prices, which led to significant destruction of demand. In 2024, however, the fall in wholesale market prices and the sharp reduction in all charges and taxes decided by the government in 2023 enabled electricity prices to return to a level slightly lower than before the crisis.¹⁰ Gas prices for industry appear to have stabilized at a level 50% higher than in 2021, threatening competitiveness for exposed industries, while reinforcing the relevance of electrification policies.

Unlocking pending green investments

The delay in decarbonization policies can be linked to the political instability and ongoing debates about balancing the budget, not to mention the drastic effect of the [German Constitutional Court's decision in November 2023](#) to invalidate the Climate and Transformation Fund, removing 60 billion from the budget for decarbonization policies, with [major repercussions for support programmes](#) for households and industry. Olaf Scholz's government has nonetheless succeeded in encouraging the design of industrial decarbonization projects—while triggering a new debate on the sharing of risks and funding between public and private actors—which now needs to be turned into reality.

More structurally, there is a strong tension between the—attachment to the debt brake rule (*Schuldenbremse*)¹¹ and the urgent need for a major public and private investment plan, in connection with the green transition and more broadly the recovery of the German economy, which has been stagnating since 2019. According to the think tank Agora Energiewende, investment needs for the low-carbon transition should average [€540 billion a year between now and 2045](#).¹²

Hard hit by the energy crisis and economic stagnation, German industry sounded the alarm in 2024, indicating that a fifth of the industry's added value was directly threatened by the loss of competitiveness. Contrary to what might have been expected, German industry—through its powerful federation (BDI)—has not wished to turn its back on decarbonization ambitions. On the contrary, in a [recent study](#), it calls for a new, much more ambitious industrial policy strategy, integrating the energy and digital transition, with an estimated need for additional investment of 1,400 billion between 2024 and 2030, the triggering of which will also largely depend on [new public funding schemes](#).

Given these challenges and the size of the German economy, Germany's funding strategy and political stance will also have a key impact on the negotiations for the EU's next multiannual financial framework (2028-2034), whether in terms of defining sectoral priorities or the ability to set up new joint funding instruments after the NextGenerationEU stimulus fund expires in 2026.

A decisive election for the future of the European Green Deal

The arrival of a new German coalition led by Friedrich Merz and the conservative CDU party could also increase the political pressure on the European Green Deal agenda.

Firstly, by strengthening the influence of the conservatives of the European People's Party (EPP) in Europe, whose political line is currently leaning more towards an agenda of simplification and a [new balance between environmental protection and economic growth in the short term](#), with an uncertain status for the implementation of the Green Deal.¹³

But also because the position of the future government could be decisive for the fate of certain key achievements of the Green Deal, such as the ban on the sale of new internal combustion engine cars from 2035 (explicitly rejected in the CDU programme) and the implementation of the carbon border adjustment mechanism.¹⁴ This is all the more true given that the EU Commission's President Ursula Von der Leyen might be more receptive to a Chancellor from her own political party.

There is one major factor of uncertainty: the German government's position will depend on the negotiations and balance of power within the future coalition (which could take several months to form), and the many differences between the CDU and its potential allies (SPD, Greens) will not make things any easier.¹⁵

Reconciling reindustrialization, competitiveness and decarbonization: a new Franco-German project for Europe

The arrival of Friedrich Merz could also reshuffle the cards for the Franco-German couple: a Francophile and supporter of a strong Europe, pro-nuclear and in favour of an agenda focused on simplification in the name of competitiveness, the future CDU candidate seems at first sight an ideal candidate to revive Franco-German cooperation, which has been at a low ebb for several years.

This would provide an opportunity to define an ambitious strategic vision for Europe, based on the right balance between competitiveness, reindustrialization and decarbonization, with concrete measures to implement the comprehensive agenda of the Clean Industrial Deal (expected on February 26th) and regulatory simplification (the subject of two forthcoming IDDRI papers), focusing on several key areas:

- reconciling the simplification agenda and the green transition in a [pragmatic way](#), seeking to be more effective while maintaining a high level of ambition;^{[16](#)}
- developing a common European industrial policy, taking advantage of the opportunities offered by the race to green industries and equipped with [financing instruments that are fit for the challenges](#);
- defining a harmonized, European approach to guaranteeing preferential access to decarbonized electricity for industrial players, in order to make electrification and decarbonization a key factor in Europe's economic and energy security, building on the many European initiatives in this area;^{[17](#)}
- strengthening cooperation on electricity transition by focusing on the challenges of electrification and the development of electricity flexibilities, in line with the Franco-German action plan published in 2024.

^{[1](#)}

According to [provisional data](#) from the Energy Balance Working Group (AGEB), RE will account for 58.4% of the German electricity mix in 2024, compared with 29.3% in 2015.

^{[2](#)}

[RTE's 2024 electricity balance](#) shows a net balance of 27 TWh of French exports to the Germany-Belgium zone.

^{[3](#)}

As part of Germany's hydrogen strategy, at the end of 2024 the [Federal Network Agency](#) (Bundesnetzagentur) approved the deployment of a 'core network' (*Kernnetz*) of up to 9,000 km of H2 networks by 2032, requiring an estimated investment of €19 billion, largely through the conversion of existing gas networks.

^{[4](#)}

Just before the coalition imploded, the government was planning to pass a [new law on security of supply and power stations](#) (*Kraftwerkssicherheitsgesetz*), which would see the construction and conversion of 12.5 GW of gas-fired power stations capable of running on hydrogen, and 500 MW of battery storage as part of a new capacity mechanism, at an estimated total cost of €17 billion between 2029 and 2045. For a more detailed analysis of the challenges for a carbon-neutral German electricity system, see [this study](#), for example.

^{[5](#)}

Adopted in 2019 and reformed in 2021 and 2024, the Federal Climate Protection Act initially provided for annual emission reduction trajectories and targets by major sector (energy, transport, buildings, etc.). Since the 2024 reform, the law now only provides for a single trajectory with annual targets for all sectors.

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As a result of the negotiations on the climate fund, the German government has not extended the ecological bonus for the purchase of electric vehicles in 2024, which until then offered subsidies of up to €6,750. In total, there were around 1.6 million electric vehicles (excluding hybrids) on German roads by the end of 2024.

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The *European Heat Pump Association (EHPA)* has forecast a 47% fall in sales for the first half of 2024. In Germany, 80% of the heat pump market depends on the construction of new buildings, which has been adversely affected by rising interest rates, political uncertainty and the economic recession. On the other hand, the economic interest in heat pumps has also waned with the debacle over the heating bill, the end of the energy crisis and the fall in gas prices, which are now 3 to 4 times lower than electricity prices for German households.

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Historically, support for the transition (energy renovation and electric vehicles in particular) in Germany has been based more on the principle of equal treatment for all than on fairness and targeting according to household income. However, there have been some recent developments (particularly in the case of support for decarbonizing heating systems) and a marked interest in the French social leasing model for electric vehicles.

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Data taken from the annual report of the German Federation of Energy and Water Companies (*BDEW, 2024*). The price comparison for Germany and France is given for consumption of 3,500 kWh and includes the fixed component, as well as the reduction in February 2025 on the French side.

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According to *BDEW data*, the price of electricity for industrial customers consuming between 160 MWh and up to 20 GWh fell from 43 cents per kWh in 2022 to 17 c/kWh in 2024. Taxes and charges will rise from 9 c/kWh in 2021 to 1.49 c/kWh in 2024.

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Enshrined in the German Constitution since 2009, the debt brake aims to achieve a balanced public budget by restricting the authorized deficit to 0.35% of GDP for the federal government.

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The Agora Energiewende study indicates that additional investment needs amount to 3 % of German GDP (in order to move from 8% to 11% of GDP), or around 120 to 130 billion euros per year.

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As Phuc-Vinh Nguyen of the Jacques Delors Institute points out, the 'Competitiveness Compass' published by the European Commission makes no explicit mention of the Green Deal, although it does stress the need for a joint roadmap for decarbonization and competitiveness, as recommended in the Draghi report.

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By domino effect, less support from Germany for the carbon border adjustment mechanism—historically supported by France—could lead to less political support from France for the extension of the carbon market (EU ETS) to buildings and transport, historically defended by Germany and currently under fire from a growing number of Member States who are calling for this instrument to be postponed or even abandoned.

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The most visible difference concerns the ban on internal combustion vehicles from 2035, rejected by the CDU and supported by the SPD and the Greens. There are also differences over the recycling of EU ETS 2 revenues.

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As an example, thanks to the simplification of authorization procedures, Germany has recorded a record level of authorizations for new onshore wind projects, with 14 GW of new authorizations in 2024 and 11 GW validated *via* calls for tender. However, the rate of net installations is much lower, with 3.2 GW in 2024 and around 5 GW expected in 2025.

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The Clean Industry Deal (2025), the Affordable Energy Action Plan (2025), the draft reform of the State Aid Guidelines and the Electrification Action Plan (2026).