

A scenic view of a city waterfront, likely Hamburg, Germany. The image features a prominent church spire (St. Nikolai Church) in the background, a large multi-story building with a glass facade in the middle ground, and several boats on the water in the foreground. The sky is a mix of blue and pink, suggesting a sunset or sunrise. The foreground is partially obscured by a green and purple geometric shape.

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The first blooms of spring and a new coalition agreement in Germany

Spring fever for the infrastructure and energy sectors?

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In sync with the German cherry blossom, the new coalition of CDU/CSU (conservative) and SPD (social democrats) published their [coalition agreement](#) on 9 April 2025. Following the formal approval of the agreement by the parties and Friedrich Merz' election as chancellor on 6 May 2025, its implementation can begin. With this insight we want to provide you with an overview of what the energy and infrastructure sector can expect from the German government over the next four years. 'Remaining an industrialized country and becoming carbon neutral (by 2045)' – what does that mean for you and your opportunities?

Summary: overarching goals

The new coalition recognizes the challenges of global warming and continues to commit to implementing the Paris Agreement. Germany shall be climate neutral by 2045 and the coalition agreement lays out some envisaged measures to reach that goal. At the same time, economic growth will have to be stimulated while also complying with the constitutional debt brake. To achieve this, the coalition agreement sets out the following:

- The established frameworks for the energy sector and climate protection will remain in place.
- Energy security, as well as the transition towards carbon neutral energy production methods, will be ensured in a systematic and cost-conscious way.
- Public funding for system and grid costs will lower costs for electricity, gas and corresponding heating to provide an internationally competitive price level for energy in Germany.
- A reduction of over-regulation in various areas will lead to relief (e.g. EDL-G, EnEFG) and an easier implementation of new business models (e. g. decentralized energy solutions, smart home, smart meters).
- The general conditions for certain fields will be improved through support and new legal frameworks (i. a. decentralized/near-building energy supply, CCS/CCU, BASS, smart meter).
- The federal budget will be balanced, for instance by evaluating existing subsidies and grants for their effectiveness and making adjustments based on the findings.

Sector objectives

The coalition agreement contains objectives in various sectors to achieve the overarching goals. However, it is important to note that the entire agreement is dependent on budgetary feasibility. Additionally, a coalition agreement is non-binding and should be viewed as closer to a letter of intent than a contract.

Carbon capture and storage

- Legislative action will be undertaken to provide a framework for CCS, especially in industrial applications where emissions are difficult to avoid and for gas-fired plants. A focus of this effort will be the steel industry, combined with a shift towards resource preservation through recycling.
- Legislative action will establish outstanding public interest in the construction of CCS/CCU facilities and transmission infrastructure. Research will be undertaken to identify sites suitable to carbon storage, both onshore and in the north sea.

Electricity

- Monitoring of expected consumption, supply security, grid expansion, renewable energy expansion and digitalization will be conducted by summer 2025. The results of this monitoring will influence the actions being taken by the next administration.
- A stated goal is the expansion of dynamic pricing for both industry and consumers. This will be supported by a faster and easier rollout of smart meters. The expansion of system-oriented storage capacity and usage of electric vehicles as energy storage are identified as areas to be expanded.

Energy storage

- A major part in the transformation of the German energy systems will be energy storage as fossil fuels are being phased out. The construction of battery energy storage systems (BESS) is a major focus of the coalition agreement. BESS construction will be classified as of outstanding public interest, especially when connected to production sites for renewable energy. The system-oriented construction of BESS will also be incentivized.
- There will be a focus on domestic battery production, including a focus on resource collection from recycling.
- System-oriented home-energy storage solutions will be incentivized, as well as two-way charging for electric vehicles. This ties in with the goal to further the use of dynamic pricing and market flexibility.
- Similar principles apply to hydrogen, where the construction of storage sites is to be tied in with the establishment of a hydrogen core grid.

Fossil fuels

- While the new government remains committed to the exit from coal use by 2038, the role of natural gas will be increased. There are plans to conclude long-term, diversified and affordable delivery agreements with foreign suppliers. The potential for conventional extraction of domestic natural gas will be used as well.
- The national power plant strategy will be reworked to provide incentives for the construction of up to 20 GW of capacity in gas-fired plants by 2030. These will be focused on the locations of already existing power plants and will be used depending on regional demands. These new reserve plans will not only be utilized to secure electricity supply, but also to stabilize costs.

Hydrogen

- The importance of hydrogen as a replacement for fossil fuels is underlined by major commitments to extend both its production and use. A hydrogen core grid will be created and connect all industrial centers, especially in the east and south of Germany. Pragmatic measures will be taken to speed up the expansion of the hydrogen economy, which includes the production of hydrogen of all colors. The usage of hydrogen as fuel for commercial vehicles will also be expanded.
- The construction of large electrolysis plants and the decentralized production of hydrogen, especially in southern and eastern Germany, will be supported by a general relaxation of regulations. Infrastructure will be expanded for the import of hydrogen, including the connection of both German and European ports to the hydrogen grid.

Infrastructure projects

- Germany's constitutional debt brake has been reformed to enable major infrastructure investments over the next twelve years via a EUR 500 billion special fund. This money will be directed to the modernization and improvement of public infrastructure, including railways, roads, bridges and ports. The coalition agreement further specifies that both educational and public health facilities can receive funding from the special fund.
- A special focus is placed on a revision of the national port strategy, which can be viewed in connection with the expansion of the hydrogen grid. It is also planned to support German wharfs in the transition towards the production of offshore converter platforms.

Remaining uncertainties

- The entire agreement is dependent on budgetary feasibility, which has not yet been secured.
- The often-used term "system-oriented" is undefined, making it uncertain what would be considered so.
- The results of the planned monitoring will have a major impact on policy decisions. The forecast for energy consumption, especially of the electrification of transport and construction of data centers, will leave room for speculation and uncertainty.
- Where energy security is concerned, European frameworks will have to be taken into account. The reaction of foreign partners, especially where natural gas and hydrogen are concerned, is yet to be seen.

Please reach out to our German Infra and Energy Transition Team if you want to discuss any of the above further.

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