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**The intention of this paper is to list the challenges, risks and obstacles on the way to a green (net zero) energy household in Europe (in bold letters).**

To make them aware and to discuss the chances and conditions, that they can be met successfully, this is the topic of the next debate.

The rest (not in bold letters) of the text is a “bonus track”, what the German government thought before the Russian Invasion into Ukraine how to meet these challenges.

**So please first look to the bold** text: if you feel that some challenges, risks or obstacles are forgotten, list them for the discussion. This is important. Forgetting relevant points may spoil the success of the whole strategy of the transformation.

Only in the second step and in the light of all identified challenges, obstacles and risks, make up your mind, under which conditions a strategy may be successful.

And in the third step we can judge if any European country, the EU, the G7, G20, the world may be mature enough and still have enough time to meet the challenge.

I also propose for the discussion to follow strictly the sequence of these three steps. We may find out, that for this topic we may need more than one meeting.

The base of this handout is the Coalition Treaty (177 pages) of the current German government.

I picked some points from the treaty,

- which mention the challenges, risks and obstacles, in different areas which can be seen from the ToC
- which describe the culture, in which a success of this huge transformation may be possible,
- and which describe how the German government wants to overcome the obstacles and risks
  - considering the power play, which can only be won by European and international cooperation
  - and explaining the high need of political coordination for synchronizing the economic transformation and market mechanisms.

The English text is largely a Google translation, so please be indulgent.

## I. Motivation of Coalition Partners

We (the government building parties) have different traditions and perspectives, but we are united

- by the willingness to take joint responsibility for the future of Germany,
- by the goal, to push the necessary modernization,
- by the awareness that this progress also needs security promises
- and by the confidence that this can be achieved together.

We commit us to serve for the good of all citizens.

## II. The Challenges

**The climate crisis endangers our livelihoods and threatens freedom, prosperity and security.**

**At the same time Germany and Europe are facing intensified global competition and system competition.**

Therefore, Germany and Europe must re-establish the own economic strength.

In international system competition, it is our values that count, and we are determined to defend them with democratic partners.

**Growing social tensions and a lack of trust in democratic decisions and leadership**

It is important to reduce social tensions in times of rapid change and to strengthen trust in our democracy.

**The living conditions in our regions, in cities and rural areas are not equal, but they should be equal.** Good living conditions include affordable housing, fast internet, accessible health care and sustainable mobility offers suitable for everyday use.

Everyone should be able to shape their own life freely and independently. But **individual chances are not distributed equally** for everyone. This is why the foundations for opportunities for social advancement must be laid in daycare and school. We focus on the areas where support is particularly important and needed. We want to strengthen families and lift more children out of poverty. To this end, we are introducing a basic child benefit.

**Securing our prosperity in globalization is only possible, if we continue to play in the top league economically and technologically,** and if we develop the innovative strength of our economy. The basis for this are fair competitive conditions; this also includes fair taxation - nationally and internationally - as well as the consistent fight against tax evasion.

**Climate protection ensures freedom, justice and sustainable prosperity** (widely believed?)

This justifies the aim to establish a social- ecological-market-economy.

**The shortage of qualified skilled workers** in many industries can be one of the greatest obstacles to economic growth, to securing prosperity, high quality in health, care, Care and education as well as for the success of the transformation in Germany. We want to win the necessary skilled workers by

- better educational opportunities,
- targeted further training,
- the increase in the labor force participation rate, especially of women  
(This is the goal of our labor market, equality and family policy)
- as well as a modernization of immigration law (easier labor immigration).

We are united by the **understanding of Germany as a diverse immigration society.** In order to take social reality into account, we enable equal participation and modernize legal norms - from family law to citizenship law. We counteract all forms of discrimination.

**The great challenges of our time can only be mastered by international cooperation and together in a strong European Union.**

We stand by Germany's global responsibility as a major industrial nation in the world. For us, working for *peace, freedom, human rights, democracy, the rule of law and sustainability* is an indispensable part of a

successful and credible foreign policy. We are committed to our humanitarian responsibility to protect and want to regulate the procedures for escape and migration.

**We want to increase the strategic sovereignty of the European Union by making our foreign, security, development and trade policy value-based and as a common basis aligned with European interests.**

**We want to promote a culture of respect – a respect for other opinions, for counter-arguments and arguments, for other worlds and attitudes.**

The present coalition agreement shows that we have found workable solutions together. It forms the working basis for our coalition.

### III. Modern state, digital set off and innovations

#### Modern State and Democracy

**We want a fundamental change towards an enabling, learning, and digital state that works proactively for its citizens. It's about making life easier. State action should become faster and more effective and promote and integrate economic and social innovation processes.** We want to establish a **new culture of cooperation**, which is also fed by the strength of civil society.

#### Planning and approval process

In order to **speed up administrative procedures**, we will introduce intensive public participation as early as possible. This is combined with an obligation to cooperate for the recognized nature conservation associations and for the public concerned.

#### Digital key technologies

We strengthen digital skills, fundamental rights, self-determination and social cohesion. We turn technological progress into social progress. **We are aware of the fact that a digital set off that safeguards our values, digital sovereignty and a strong technology base can only succeed in a progressive European framework.**

We will drive a strong technology location that is based on European values, attracts talent and ensures the future viability and prosperity of our country. We measurably strengthen investments in artificial intelligence (AI), quantum technologies, cybersecurity, distributed ledger technology (DLT), robotics and other future technologies and set priorities. We strengthen strategic technology fields e.g. Important Projects of Common European Interest (IPCEIs) and promote the announced EU Chips Act. We promote cooperation between strong European research locations with European partner countries. We support the European AI Act.

We want to make Germany a **global location for the semiconductor industry**. To this end, the German semiconductor industry is to be given sufficient financial support along the entire value chain in order to secure, strengthen and future-proof this key technology in Europe.

### IV. Climate protection in a socio-ecological market economy

**We are in a profound transformation process in global competition and are initiating a decade of future investments**

- for decarbonization to comply with the 1.5 degree path,
- which goes hand in hand with a digital transformation
- and for coping with demographic change.
- In addition, there is the long-running corona pandemic, which poses major challenges for the economy.

**A CO<sub>2</sub>-neutral world is a great opportunity for Germany as an industrial location. New business models and technologies can create climate-neutral prosperity and good work if we set the right framework for**

- Industry and medium-sized companies
- a massive expansion of renewable energies,

- **competitive energy prices,**
- **Security of supply with electricity and heat**
- **as well as fast and unbureaucratic approval procedures.**

Together with social partners and local actors, we are building regional transformation and qualification clusters. In this way we also support structurally weak regions.

**All sectors will have to contribute: transport, construction and housing, power generation, industry and agriculture.** We will check compliance with the climate targets on the basis of a cross-sectoral overall calculation, analogous to the Paris Climate Agreement, over a number of years. The basis for this is the annual monitoring.

**We will make climate protection a cross-sectional task,** with the respective lead department examining its draft bills for their climate impact and compatibility with national climate protection goals and providing a corresponding justification (**climate check**).

#### European and international cooperation

The **17 Sustainable Development Goals of the United Nations (SDG)** are part of our policy.

We are developing **an industrial strategy that, in conjunction with the European Green Deal, is embedded in a European solution and prevents carbon leakage** through suitable measures.

In order to support the primary industry in particular, we will create suitable instruments for achieving the climate goals, for example **Carbon Contracts for Difference (climate contracts, CCfD), in order to also close profitability gaps.**

The federal government will ensure that the economy has **competitive electricity prices.**

We support the introduction of a **Europe-wide effective CO2 border adjustment mechanism** or comparable effective instruments. **It is crucial to achieve**

- **compatibility with WHO rules**
- **that the export industry is not disadvantaged,**
- **that Greenwashing is prevented**
- **unbureaucratic feasibility within the existing emissions trading system.**

We use the European Union and the international bodies together with European partners for an initiative to found an **international climate club open to all states with a uniform minimum CO2 price and a joint CO2 border adjustment.**

#### Renewable primary energies

We are aligning our renewables target to a higher gross electricity demand of 680-750 TWh **in 2030.**

**80 percent of this should come from renewable energies.** We are accelerating the expansion of the network accordingly. We dynamically adjust the annual tender volumes.

Our goal for the expansion of photovoltaics (PV) is approximately 200 GW by 2030.

Two percent of the land area is to be assigned for onshore wind energy. All over Germany, onshore wind energy is made available close to consumption, also in order to avoid network bottlenecks.

We want municipalities to be able to profit adequately financially from wind turbines and larger open space solar systems in their area.

We want to **defuse the conflict between the expansion of wind power and species protection** through innovative technical preventive measures, including through anti-collision systems.

We will considerably increase the capacities for offshore wind energy to at least 30 GW 2030, 40 GW 2035 and to 70 GW in 2045.

### Expansion of the energy networks

**Electricity and hydrogen networks are the backbone of the energy system of the future.** In the future, we want to plan network infrastructures more jointly and with foresight at all political levels. To this end, we will immediately commission the Federal Network Agency and network operators to calculate a **plan for a climate neutrality network** that goes beyond the current network development plans and to update the federal requirements plan accordingly. In all measures, special attention must be paid to the electricity highways (= **central high-voltage direct current transmission lines**).

### Gas and hydrogen

The gas-fired power plants that are necessary up to security of supply through renewable energies are to be built at existing power plant locations in order to use the existing (network) infrastructures and to secure future prospects. **They must be built in such a way that they can be converted to climate-neutral gases (H2-ready). Natural gas is indispensable for a transition period.**

**European energy law** also applies to energy policy projects in Germany.

We are committed to a **European Union for green hydrogen**, promote the development of a hydrogen network infrastructure.

We want to become the lead market for hydrogen technologies by 2030.

Green hydrogen should be used in a privileged way in those economic sectors in which it is not possible to convert procedures and processes to greenhouse gas neutrality through direct electrification.

In addition to the expansion of the H2 infrastructure, we will significantly increase the targets for electrolysis performance (around 10 gigawatts in 2030).

We will ensure this, among other things, through the expansion of offshore wind energy and European and international energy partnerships. This requires a committed development of the necessary infrastructure.

### Mobility

We want to enable sustainable, barrier-free, innovative, affordable mobility that is suitable for everyday use.

**Mobility is part of services of general interest and a prerequisite for equal living conditions in town and rural areas.**

We want to bundle the cooperation and dialogue formats existing at the federal level in the field of the automotive industry into a strategy platform "Transformation of the automotive industry" with the mobility industry, environmental and transport associations, social partners, science, the Bundestag, federal states and municipal umbrella organizations with the responsible federal departments in order to achieve the goal of climate neutrality, to secure added value as well as jobs and apprenticeships.

Germany is to become a center for research, **production and recycling of battery** cells. Research into new, sustainable generations of batteries is crucial.

We support research into and the market ramp-up of synthetic fuels that **enable climate-neutral flying**.

### Circular economy

We promote the circular economy as effective climate and resource protection, and thus sustainable economic development and sustainable jobs.

- **Primary raw material consumption must be minimized by closed material cycles.**
- We are bundling existing raw material policy strategies in a "National Circular Economy Strategy".
- On this basis, we advocate uniform standards in the EU.
- Requirements for products should be defined uniformly across Europe in dialogue with manufacturers.
- Products must be durable, reusable, recyclable and, if possible, repairable.
- We are strengthening the extended producer responsibility at the European level.

- We are introducing digital product passes.
- We are strengthening waste avoidance through reusable and return systems, as well as industry agreements.
- Incentive system to feed electrical appliances and dangerous lithium-ion batteries into the circular economy.
- With a legally anchored fund model, we reward resource-saving and recycling-friendly packaging design.
- We take action against illegal waste exports.
- According to European law, the export of waste should only be possible in certified recycling plants.

#### Agriculture (some aspects)

The development of the animal population should be based on the area and will be brought in line with the **goals of climate, water and emission protection (ammonia / methane)**. We want to significantly reduce emissions from ammonia and methane while taking animal welfare into account. Farmers are to be supported on their way to climate neutrality as part of the conversion of livestock farming.

**The fight against the extinction of species**, in particular requires a great deal of attention and political action. Our goal is a sustainable, future-proof agriculture in which the **farmers can operate in an economically viable manner and at the same time compatible with the environment, animals and the climate**. We strengthen regional value chains and help maintain rural structures.

#### Conservation and biodiversity

Federally owned outdoor areas are of considerable importance for climate protection, both as potential locations for wind power and PV systems and for biodiversity, and will be exempted from privatization in future.

#### V. Free trade

We want to strengthen **rule-based free trade based on fair social, ecological and human rights standards**.

We are committed to **strengthening multilateralism** and the further development of the World Trade Organization, including the renewal of the rules on market-distorting subsidies, the lifting of the blockade on the dispute settlement mechanism and alignment with the Paris Climate Agreement and the UN's global sustainability goals.

We support the **realignment of the EU trade strategy** and want to equip the future EU trade agreements (e.g. with Chile, New Zealand, Australia, ASEAN, India) with effective sustainability standards using a dispute settlement mechanism.

Europe should seize the opportunity to enter into an intensive **exchange with the new US administration** to promote trade and investment with high environmental and social standards in order **to be able to set globally high environmental and social standards with the transatlantic economic area**.

We then advocate the ratification of the Mercosur Agreement if the partner countries have previously entered into feasible and verifiable, legally binding obligations on environmental, social and human rights protection and practical, enforceable additional agreements on the protection and maintenance of existing forest areas have been concluded.

We advocate legally binding regulation at EU level that prevents the import of products and raw materials associated with deforestation.