

# GERMANY VOTES 2025



## Volume 11: *Power Struggles – The Politics of Germany’s Energy Future*



Welcome to the 11<sup>th</sup> Volume of Germany Votes 2025!

As the election date approaches, the intensity of campaigns rises. Last week’s debate on migration has sparked significant controversy across media, civil society, and within the parties themselves. Meanwhile, as we turn our focus to energy policy, one thing is evident: While the issue may not be dominating the current election discourse, it will undoubtedly take center stage in the upcoming legislative period. Soaring electricity prices burden the economy, a delay in infrastructure development threatens the energy transition, and international power struggles position the sector as a key battleground. Enjoy the read!

Best, *Caroline*

**Caroline Mücke-Kemp**  
Head of Public & Government Affairs Germany

As of 6 February 2025

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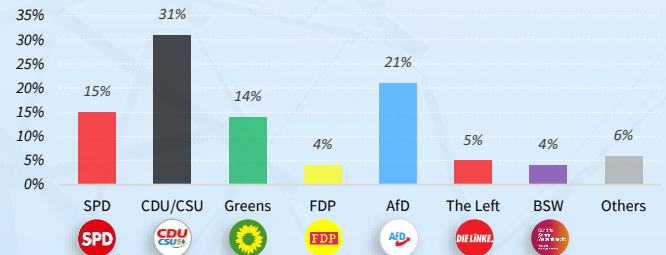
Days left until German  
Federal Election on  
23 February 2025

### In a nutshell:

- **Party Check – Where They Stand:** A snapshot of party positions on the three main pillars of energy policy.
- **Migration:** How the debate is testing the unity of several parties.
- **A Giant Scoop of Ice Cream:** Why electricity is so expensive in Germany.
- **Future of the Electricity Sector:** The challenges ahead.
- **Trump’s Energy Policy:** How the US may use energy as a negotiation tool.
- **Energy in the EU:** What to expect from the new EU Commission.
- **FTI-Exclusive Interviews** with MPs Lisa Badum (Greens) and Dr Nina Scheer (SPD).
- **Deep Dive:** A look at Sino-German relations.

### If Germans voted today, ...

... the CDU/CSU could choose a coalition with the SPD or with the Greens. CDU/CSU leader Friedrich Merz would most likely be the next Chancellor.



Source: Infratest dimap, 06 February 2025

### Person of the Week

**Dr. Angela Merkel**  
Former Chancellor (CDU)

Merkel broke tradition by criticizing current CDU leader and chancellor candidate Friedrich Merz for passing a Bundestag resolution with AfD votes. Some speculate she might even leave the party she used to lead.



“ Let me start tidying up my office already. ”



## Merkel Memo for Merz



### Breaking Political Traditions

In Germany, it is customary for former politicians not to comment on the work of their successors. However, Angela Merkel has broken this rule by sharply criticizing CDU party leader Friedrich Merz for passing a resolution in the Bundestag with the support of the AfD last Wednesday.

### A Long-Standing Rivalry

Merkel and Merz have been political rivals for over 20 years. When Merkel became chancellor in 2005, Merz withdrew from politics but remained influential behind the scenes. When Merkel stepped down in 2021, Merz seized the party leadership due to Merkel having failed to groom a suitable successor.

### Tit-for-tat

Merz is a long-standing critic of Merkel's policies, especially of her handling of the 2015 migration crisis, which he believes contributed to the rise of the AfD and loss of profile for the CDU. Merkel's criticism can be seen as a response to this long-standing rivalry.

### The Impact on Public Opinion

While Merkel's statement sparked debates last week within the CDU about whether it was a wise move to pass the motion with AfD votes and provided munition to the SPD and the Greens, CDU approval has in fact risen in the latest polls. Thus, voters appear to prioritize the CDU taking a firmer stance on migration over potential collaborations with the AfD.

### Party positions

#### The Pro-Migration Faction

#### Moderates

#### Hardliners



#### Asylum seekers

- Allow asylum seekers to work as soon as possible
- Grant easy access to labor market and education
- Fast integration into the labor market
- Prevent welfare-based immigration
- No work permit, community service only

#### Skilled labor

- Easier recognition of foreign credentials
- Digitalization of administrative processes
- Easier recognition of foreign qualifications
- Digitalization of administrative processes
- Easier recognition of foreign qualifications
- Priority: exhaustion of 'domestic potential'

## The Future of the FDP

The FDP faces a tense battle: Just like in 2013, it is fighting for re-entry into the Bundestag after being in the government. A key lesson from its past failure was to ensure party unity – but now, internal tensions threaten to spill into the open.

Around a quarter of the FDP Parliamentary Group opposed the vote on the CDU/CSU bill to limit migration. Some, like Wolfgang Kubicki, see the rebellion as an internal plot of the social-liberal wing against Christian Lindner and thus as a strategy for the post-election period.

23 February will be a decisive day for the FDP. If it fails to clear the five-percent hurdle, the party risks fading into political irrelevance in the extra-parliamentary opposition. If it succeeds, Lindner could once again become Finance Minister – since opinion polls indicate difficulties in forming a stable government without the FDP if it does stay in parliament.



## Parties' Key Demands for the Energy Sector

### Cost efficiency

### Supply Security

### Sustainability



- Reduce electricity tax to the European minimum
- Cap transmission grid fees at 3 cents per kWh
- Advocate for expanded electricity price compensation for energy-intensive industries at the EU level

- Expansion of power grids to adapt to renewable energy
- Simplify decentralized energy supply
- Develop a nationwide hydrogen infrastructure and establish a national hydrogen reserve

- Rapid expansion of renewable energies
- Strengthen climate-neutral heat supply
- Absolute rejection of nuclear energy



- Reduce electricity tax and grid fees
- Reject additional grid fee burdens for industrial large consumers that cannot produce flexibly
- Enhance forwards markets for greater price stability

- Expansion of electricity grids and storage facilities
- Pragmatic power plant strategy that establishes a technology-neutral capacity market
- Develop a nationwide hydrogen infrastructure

- Rapid expansion of renewables
- Commit to phasing out coal while ensuring no coal plant is shut down without operational gas replacements
- Research and explore next-generation nuclear technologies



- Reduce electricity tax to the EU minimum
- Cover grid fees for interregional power lines
- Support flexible electricity prices and dynamic electricity tariffs

- Expansion of power grids; building cross-border electricity interconnections
- Rapidly build the hydrogen core network; promote green hydrogen and secure new import sources
- Facilitate energy storage

- Reach 100% climate-neutral electricity by 2035
- Phase out coal by 2030 and reject new natural gas extraction
- Rejection of nuclear energy



- Reduce electricity tax to the EU minimum and push for its abolition
- Reform grid fees through digitalization and dynamic pricing
- Remove regulations and requirements that hinder efficiency

- Enable the reactivation of existing nuclear power plants
- Development of power plants, storage systems, and hydrogen infrastructure
- Expand domestic natural gas production

- Expose renewable energies entirely to the market.
- CO<sub>2</sub> pricing is prioritized to drive the shift to renewable energies
- Enable climate-friendly future technologies like nuclear fusion



- Reduce electricity tax and energy tax to the EU minimum
- Halt wind energy expansion to stabilize costs
- Abolish the CO<sub>2</sub> tax

- Repair and reactivate the Nord Stream pipelines; resumption of trade relations with Russia
- Reintroduce nuclear energy
- Extend the operating periods of coal power plants

- Oppose the expansion of wind and solar energy
- Abolish subsidies for renewable energies
- Require proof of "full environmental compatibility" for renewable energy installations



- Introduce price controls for energy
- Implement socially tiered pricing tariffs; introduce an energy solidarity surcharge
- Reduce grid fees by increasing flexibility in industrial electricity demand management

- Advocate for decentralized energy supply; transfer energy infrastructure to public ownership
- Invest in infrastructure for renewable energies while stopping investments in fossil fuel infrastructure
- Establish long-term energy storage

- Drive forward the complete transition to renewable energies
- Implement coal phase-out by 2030; phase out natural gas for power generation by 2035
- Advocate for a nuclear phase-out across Europe



- Lower grid fees by nationalizing the energy grids
- Secure long-term energy import contracts based on the criterion of the lowest price
- Abolish the CO<sub>2</sub> tax

- Repair and reactivate the Nord Stream pipelines; resumption of negotiations with Russia
- Expansion of battery and high-temperature storage systems
- Preserve gas networks and prevent their dismantling

- Advocate for a repowering program for renewable energies
- Promote the installation of PV systems on public buildings
- Reject the construction of new conventional nuclear power plants



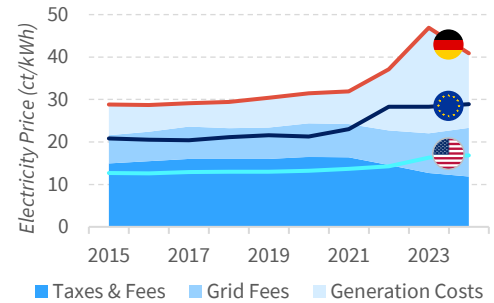
## Germany's Costly Electricity: A Giant Scoop of Ice Cream

Deindustrialization is no longer a distant threat but a daily reality. Industrial companies are leaving Germany, which now ranks among the lowest in economic growth. This is not just a cyclical downturn but a deep structural crisis, with uncompetitive energy costs at its core. Affordable energy is vital, especially as demand rises from AI, EVs, and heat pumps.

In 2004, then-Minister Jürgen Trittin (Greens) assured Germans that renewables would cost each household "the price of an ice cream scoop" monthly. Two decades later, Germany has the second-dirtiest electricity mix in the EU but leads in one category – sky-high energy prices. The key contributing factors include massive renewable energy subsidies (€18.5 billion in 2024), costly grid-expansion, the shutdown of fully amortized nuclear and coal power plants, and soaring gas prices exacerbated by the Ukraine war.

Sweden's Energy Minister, Ebba Busch, criticized Germany's energy policy in December emphasizing that "no political willpower can override the basic rules of physics, not even Robert Habeck!" High electricity taxes, surcharges, and rising grid fees continue to drive up costs for businesses and households. Some propose easing this burden by using the Climate and Transformation Fund or the general budget to lower energy prices. Targeted reductions in surcharges, grid fees, and electricity taxes could boost industrial competitiveness and accelerate the energy transition. Yet, the political debate remains focused on who should bear the rising costs of the "Energiewende" rather than how to actually make it more affordable.

### Energy Price Development (2015-2024):



“ Germany’s next government must prioritize lowering energy costs to restore industry competitiveness. Expanding storage capacity and stabilizing grid fees are key to a reliable, affordable future.”



**Matthias Neuleitner**  
Senior Consultant  
FTI Consulting

## The Challenges for the Electricity Sector in the Next Legislative Period

*Compass Lexecon provides economic consulting and operates as a wholly owned subsidiary of FTI Consulting.*



**Dr. Anton Burger**  
Vice President  
Compass Lexecon

The electricity sector has seen much change in recent years - often politicians have reacted to developments such as the energy crisis, but it has also often been politicians themselves who have brought about fundamental upheavals in the electricity market.

The strong price fluctuations for electricity to be expected in an electricity system driven primarily by renewable energies - i.e. a range of around EUR 0 to 1000 per megawatt - have now occurred. The character of the wholesale market has changed significantly and offers both opportunities and risks. Opportunities exist for consumers who are flexible enough to benefit from the low prices and for electricity storage facilities. For consumers who cannot react flexibly, such as large industrial consumers, there are massive challenges.

Further, while the debate between Germany (renewables + storage + green gases) and France (nuclear power) is raging at European level, many smaller countries are pursuing pragmatic and more diversified energy strategies. The upcoming regulatory challenges for Germany may revolve more around the cost efficiency of the overall system and security of supply. Issues of the capacity market, the power plant strategy, and the further development of the market design will be strongly influenced by this perspective. Regarding the grids, efficient regulation and the structure of grid operators and investors are needed to tackle the challenges ahead.

The Federal Network Agency has launched a series of fundamentally sensible initiatives, although the design often falls somewhat short of the possibilities. Large industrial consumers are the big problem child of energy policy, as well as the part of demand that may migrate abroad. The big challenge will be to find measures that are as efficient as possible and ensure that the migration of energy-intensive industries can be kept within limits.

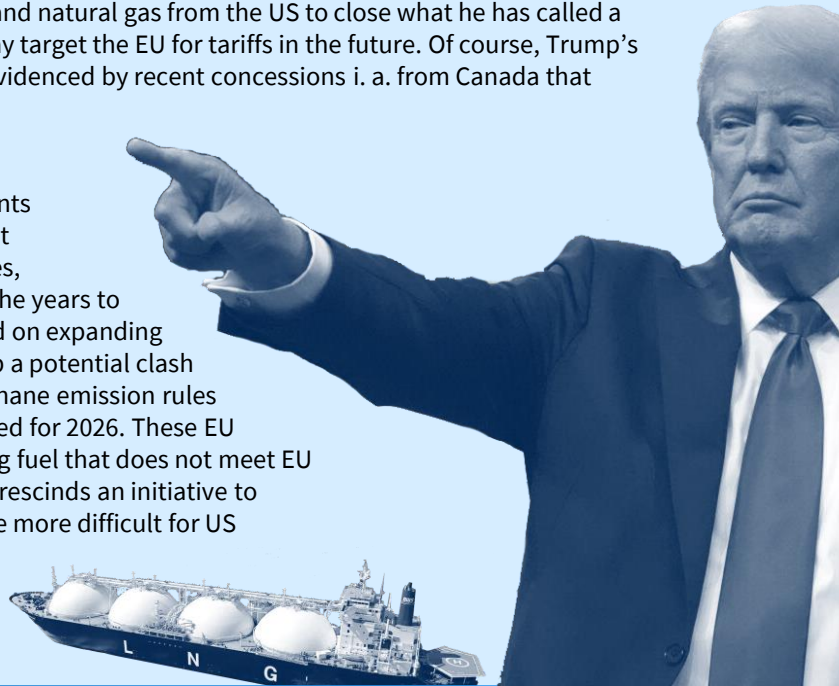


## FTI Washington: Potential Trump Impacts on Germany and the EU

The return of Donald Trump to the White House has the potential to create some opportunities for Germany and the broader EU – alongside plenty of challenges. Since taking office, the president signed executive orders declaring a national energy emergency and scrapping a Biden-era freeze on new liquefied natural gas (LNG) export licenses. His administration is expected to cut back on and streamline various environmental measures he sees as hindering domestic energy production.

President Trump has called on the EU to purchase more oil and natural gas from the US to close what he has called a 'tremendous deficit'. That has fueled speculation that he may target the EU for tariffs in the future. Of course, Trump's use of tariffs is often seen as more of a negotiation tool, as evidenced by recent concessions i. a. from Canada that yielded an immediate relaxation in tariffs.

It remains unclear whether this new administration has any specifics for Germany in mind. That said, US LNG now accounts for about 90% of Germany's imports. The German parliament recently passed a four-year extension of natural gas subsidies, potentially unlocking opportunities for more US imports in the years to come. Of course, Trump's domestic energy agenda – focused on expanding production and reducing climate-related rules – could set up a potential clash with existing and upcoming EU regulations, such as the methane emission rules set to take effect in 2027, and the carbon border tax scheduled for 2026. These EU regulations could result in penalties for companies importing fuel that does not meet EU standards. Additionally, if the new American administration rescinds an initiative to monitor methane emissions from LNG shipments, it could be more difficult for US producers to sell gas into European markets.



## FTI Brussels: What Germany can expect from the new EU Commission – and vice versa



**Mateusz Stankiewicz-Szynka**  
Managing Director  
FTI Brussels

Europe has just concluded a phase of fundamental political change. The recently established 2024-2029 European Commission leadership is expected to drive five critical years of policymaking for a European Union that is more sovereign, assertive, armed, and sustainable. In response to geopolitical tensions, the EU is looking at reducing its dependencies on energy, clean tech, semiconductors, and critical raw materials, while reshoring industries, spurring innovation in strategic sectors, and strengthening supply chain resilience. Sustainability remains still high on the agenda with the overarching 2050 net-zero target. However, the existing approach is expected to evolve by prioritizing industrial competitiveness and economic growth through streamlining ESG reporting requirements, lowering regulatory hurdles, and lowering the volume of new legislation.

We expect a future CDU-led government in Germany to be a leading voice aimed at re-establishing Europe's manufacturing base. As the EU is advancing a cohesive energy and industrial strategy, secure and affordable energy supplies will be a key aspect for building Europe's industrial base. The planned phasing out of all Russian energy imports and securing alternative gas supplies, predominantly US LNG, will not only be a political milestone, but also a decisive factor for Europe's future industrial performance. The introduction of tariffs by President Trump's administration is expected to drive the cost of energy not only in the US but also make it more expensive for European importers. The actions of Berlin will be closely watched, given its historic strong German-Russian gas relations before Russia's war against Ukraine broke out in February 2022. Germany's critical voice towards expanding sustainability reporting requirements can also play a major role in the broader debate about ways for Europe achieving a 90% GHG emission reduction target by 2040. The still politically contentious topic of Carbon Capture and Storage (CCUS) is expected to continue as part of the EU Industrial Carbon Management Strategy follow up discussion. Berlin's recently adopted CCS policy principles for industry will be an important contribution at Brussels-level considerations. Lastly, the expansion and conversion of the electricity grid infrastructure whether in Germany or across Europe constitutes a challenge, requiring strong political determination, decisive actions and major investments to upgrade the power network suitable for a climate-neutral continent by 2050.

# FTI-Exclusive Interviews: Climate Action and Energy Committee MPs Share Their Energy Policy Priorities for 2025



**Lisa Badum (Greens)**  
Member of the Bundestag



**Dr. Nina Scheer (SPD)**  
Member of the Bundestag

**Q1: The domestic industry is increasingly suffering from high energy costs compared to the international average. How would you provide relief in the short term?**

**Badum (Greens):** Electricity costs in Germany are now back to the same levels as before Russia's full-scale invasion of Ukraine. That is largely thanks to this government's successful management of the energy crisis and our record build-out of renewable energy capacities. That said, more work remains. As Greens, we plan to reduce electricity taxes to the European minimum and cover grid fees for interregional power lines. We also want to increase support for energy efficiency measures and expand compensation for energy-intensive industries competing globally. Beyond the short term, we will continue to transition away from fossil fuels and towards a fully renewable energy system. To address intermittency, we need to focus on improving grid efficiency, storage solutions, and the development of green hydrogen power plants. We will also work to strengthen the European electricity market and cross-border grid connections. Finally, digitalizing the energy sector will allow consumers to save money by using energy more flexibly – be it through batteries, heat pumps, or electric vehicle charging. To make this possible, we will need smarter market rules and incentives for demand-side management.

**Scheer (SPD):** In addition to further accelerating the expansion of renewable energies: with subsidies for grid fees – though there was no willingness to negotiate on this from the CDU/CSU – and by capping grid fees at an initial 3 cents, with the basic idea that the financing of grid fees should become a public infrastructure service.

**Q2: Given the tightening fiscal constraints and the already high burdens on industry and consumers, how should the transformation of the energy system be financed?**

**Badum (Greens):** We need urgent investments in essential infrastructure to secure prosperity. To achieve this, we propose establishing a "Deutschlandfonds" (Germany Fund) to support investments at the federal, state, and municipal levels. This fund will complement regular budget resources and help finance key projects such as transportation, education, research, and decarbonization efforts. To unlock the funding needed for this transformation, we aim to reform the debt brake in line with European rules, allowing for state borrowing to fund investments. We also plan to expand the cyclical component of the debt brake, giving the state more flexibility in times of economic downturn. This will provide the financial leeway necessary to boost infrastructure and climate investments while ensuring long-term debt sustainability. Additionally, we will focus on closing gaps in our tax system, fighting tax evasion, and improving public administration efficiency through digitalization. By creating favorable conditions, we can increase the workforce participation rate, raise tax revenues, and strengthen social security systems. Not least, we will work on reducing environmentally harmful subsidies.

**Scheer (SPD):** The construction and expansion of infrastructure, which will particularly benefit future generations, must be recognized as a government responsibility – just like road construction. This requires a reform of the debt brake and special funds, such as a Germany Fund.

**Q3: In which areas do you expect the greatest points of conflict if coalition negotiations with the CDU were to take place?**

**Badum (Greens):** If the CDU gets a mandate to lead the next government coalition, they will have to drop their campaign rhetoric and face the music. No matter who they enter coalition talks with, they will have to admit that their shortsighted demands to return to nuclear power are neither realistic nor fiscally prudent. Similarly, there is no way to finance all of the Conservative's campaign promises without reforming the debt brake. In both cases, I expect to see more honesty and pragmatism once the election results are in.

**Scheer (SPD):** The climate protection instruments, with the CDU/CSU's increased focus on emissions trading and CCS applied to fossil energy production, will lead to a prolonged dependence on fossil resources – essentially a step backward in the energy transition. This is especially true in light of their statements on nuclear energy, including the de facto unusable nuclear fusion.

**Q4: In one sentence: which legislative project in energy policy should the new government pick up first?**

**Badum (Greens):** Probably the most pressing issue is the implementation of the "Kraftwerksstrategie" (Power Plant Strategy) to facilitate the transition to a fully renewable energy system, as discussed before.

**Scheer (SPD):** In addition to continuously adapting measures to facilitate the expansion of renewable energies, further flexibility incentives, as well as incentives and infrastructural improvements for storage and cross-sectoral use of electricity – including for heating and green hydrogen – should be introduced. This should also apply to secured capacity while strictly upholding the priority of renewables and decentralization. Furthermore, resilience measures should be included to protect domestic and European energy transition products, as well as their application, from external interference (critical infrastructure).



## Germany's China Policy and China's Germany Strategy

China has overcome the status of the 'world's workbench' and has turned into an influential player with global ambitions. The US struggle with China for global political, economic, and military hegemony. The EU has established the triad of China being a partner, competitor and "systemic rival". Currently, the Sino-Western relationship is strained by various factors, including increased trade disputes, Western concerns about human rights, democracy, and freedom of speech, China's growing military capabilities, and expansive territorial claims.

Against this backdrop, the German view on China has become more nuanced over the past years. In 2023, the German government for the first time agreed on a comprehensive "China Strategy". Germany's economic interests in China prevail, however, as the country is Germany's second-largest trading partner. 13% of imported goods to Germany stem from China, underscoring the heavy China-dependency of the economy – particularly in future-critical areas like green technology, telecommunications, and rare earths. German exports to China, however, are of considerable importance for individual industries, but not for the economy as a whole as they contribute roughly 3.5% to German GDP.

National stakeholders push for different approaches. Most prominently, the German automotive industry has urged policymakers to avoid an overly confrontative approach, warning of potential economic repercussions. In contrast, German steel producers push for limits on Chinese steel imports.

German political parties have articulated their positions on these issues in their election programs:

- **SPD:** Seeks to maintain a status quo of the stable German-Chinese relations, focusing on a Europe-centric policy and continuing the one-China policy.
- **CDU/CSU:** Takes a slightly more assertive stance towards China, aiming to balance firmer political views with economic pragmatism.
- **FDP:** Pushes most distinctly for stronger ties with Taiwan and a tougher stance on China.
- **Greens:** Favor more engagement with Taiwan within the framework of the one-China policy, seeking for a more value-based approach towards China.
- **AfD and BSW:** These parties prefer a more accommodating approach to China, emphasizing economic relationships. Notably, the BSW supports China's role in the Ukraine conflict.



### Coalition dynamics

The SPD often found itself isolated in its more cooperative stance within the coalition with the Greens and FDP, especially on issues such as selling critical infrastructure to Chinese firms, which FDP and Greens oppose. Under a potential CDU/CSU-led government, significant changes in Germany's China policy are unlikely, especially in a coalition that includes the SPD. The new US administration, however, might push the new German government to take a tougher stance on China, forcing parts of the German economy to decrease their China exposure.

### The Chinese Communist Party's (CCP) view on Germany

The CCP places high importance on Germany within its foreign policy, recognizing Germany's significant economic and geopolitical role both within Europe and globally. Although the CCP understands Germany's strategic approach as described in the "China Strategy", it objects to the characterization of China as a "strategic rival", viewing it as an overly confrontational label. Yet, the CCP itself not only actively monitors German policy developments but also uses disinformation and direct interference to mitigate the public rise of issues known as the "five poisons" (groups and movements that the CCP considers threats to its rule and national stability) and to foster pro-Chinese sentiments within German politics and society. This includes the operation of overseas police stations in Germany.

## Contact

Want more? Got questions or feedback? Reach us at:

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