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Greenwheel Insights

First steps for German 'Special Fund' for Infrastructure & Climate Neutrality

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Summary

Draft laws establishing Germany's €500 billion 'special fund' for infrastructure and climate neutrality have been published, including eligible investment areas. Detailed investment plans are to follow, but **defence, transport and energy infrastructure – particularly grids - are likely to be foregrounded**.

"The new German infrastructure plan is comparable in size to the US Bipartisan Infrastructure Law and it will be bolstered by significant investments in defence. We expect such a programme will have repercussions across Europe and in that sense believe it will be a game-changer for transportation and energy infrastructure. Much of the infrastructure in OECD economies was built in the post-World War II era, and after years of under-investment, Germany is stepping up to upgrade and expand its equipment and networks."

The Ecofin investment team focus on the core of the economic infrastructure universe. Through holdings in leading firms such as E.ON, RWE, VINCI or VEOLIA, it is well exposed to benefit from capital expenditure programmes in Germany's transportation, energy and environmental infrastructure. The country's fiscal reindustrialisation will also underpin power demand, which is bound to grow by c.2.5% per annum as of 2027, after almost three decades of stagnation. This should represent a further booster to German power networks and flexible power generation."

Jean-Hugues de Lamaze

Portfolio Manager, Redwheel-Ecofin Listed Infrastructure Strategy

Background

The creation of a German €500 billion 'special fund' for infrastructure and climate neutrality was agreed in March by the outgoing Parliament, stimulated by a renewed focus on expanding defence capabilities and modernising infrastructure. **The fund will invest in defence, transport, hospitals, energy infrastructure, education, science, research and development, care and digitalisation over 2025-2036**. **This package is massive** - similar to the US' $1.2 trillion Bipartisan infrastructure Law on an annualised per capita and GDP basis, but much larger when considering the relative size of the US and German federal budgets (see Figure below).

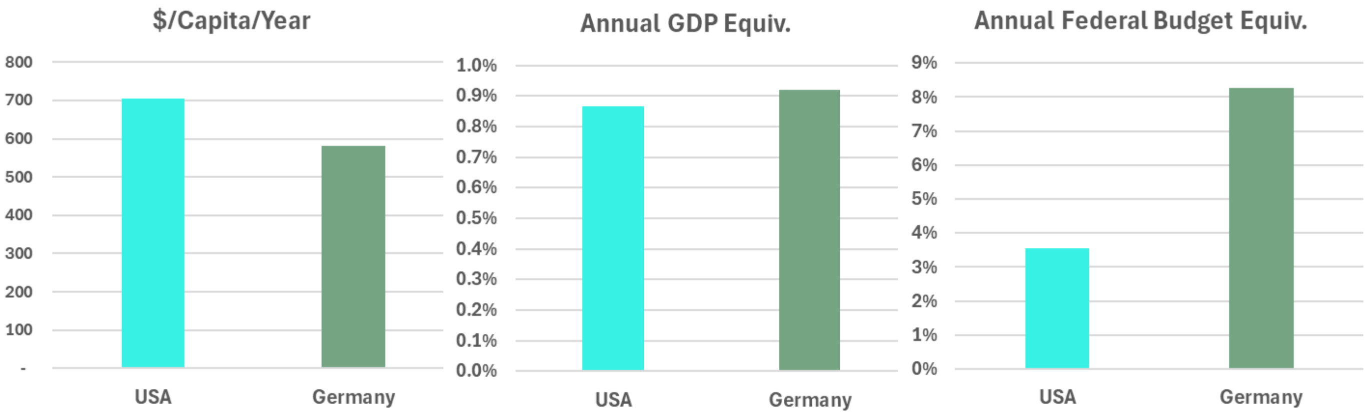

Figure 1: comparing the US Bipartisan Infrastructure Law and the German Special Fund. *Note: Values divide total package values equally across legislated horizon (five years for BIB and twelve years for GSF). 2024 GDP values, and 2024 (USA) and 2025 (Germany) Federal budgets, are considered. Graphic Created by Greenwheel. Data sources: World Bank (2025); US Treasury (2025); German Finance Ministry (2025). The information shown above is for illustrative purposes.*

Of these new debt-financed funds, exempt from Germany's revised debt brake, **€100 billion is allocated to Germany's Climate and Transformation fund (KTF)** for direct investment in the energy transition to achieve climate neutrality in Germany by 2045. **This is a floor value** – the remaining €400 billion may also invest in delivering the transition.

What just happened?

On 7th July the new Federal Government issued two draft bills as the first step to establishing and mobilising these funds.[i,ii]

- **The first bill establishes the Special Fund (SIVKG-E)** with eligible investment areas as outlined above, **and allocation of €100 billion to the KTF in ten equal annual tranches to 2034**. Investments must be additional to routine federal spending in these areas. All funds must be allocated by the end of 2036.
- **The second bill allocates a further of €100 billion of the remaining €400 billion to the sixteen states**, in line with standard funding distribution mechanisms. Individual investments must be >€50,000, be **allocated by the end of 2036 and spent by the end of 2042**, and be fully additional to a states' own investment budgets and plans.
- **Eligible investment areas are largely the same between Federal and State allocations**, but with a focus on energy networks and *renewables* under the energy infrastructure theme at the Federal level, and networks and *heating* at the State level.
- June's Federal budget also confirmed that **€100 billion of the remainder, plus further €400 billion of additional borrowing, will be focused on defence** to 2029 – hitting the 3.5% GDP target set by NATO six years early. NATO members are also required to spend an additional 1.5% GDP on defence-related goods, such as infrastructure, by 2035.

Next Steps

The German government hopes to receive parliamentary approval for the first act establishing the fund by the end of September, with timeline for the act delivering state allocations to follow.[iii]

Detailed investment plans are to follow at both Federal and state levels, but **defence, transport and energy infrastructure – particularly grids - are likely to be foregrounded**.

[i] Deutscher Bundestag (2025a)
[ii] Deutscher Bundestag (2025b)
[iii] Tagesspiegel (2025)

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