

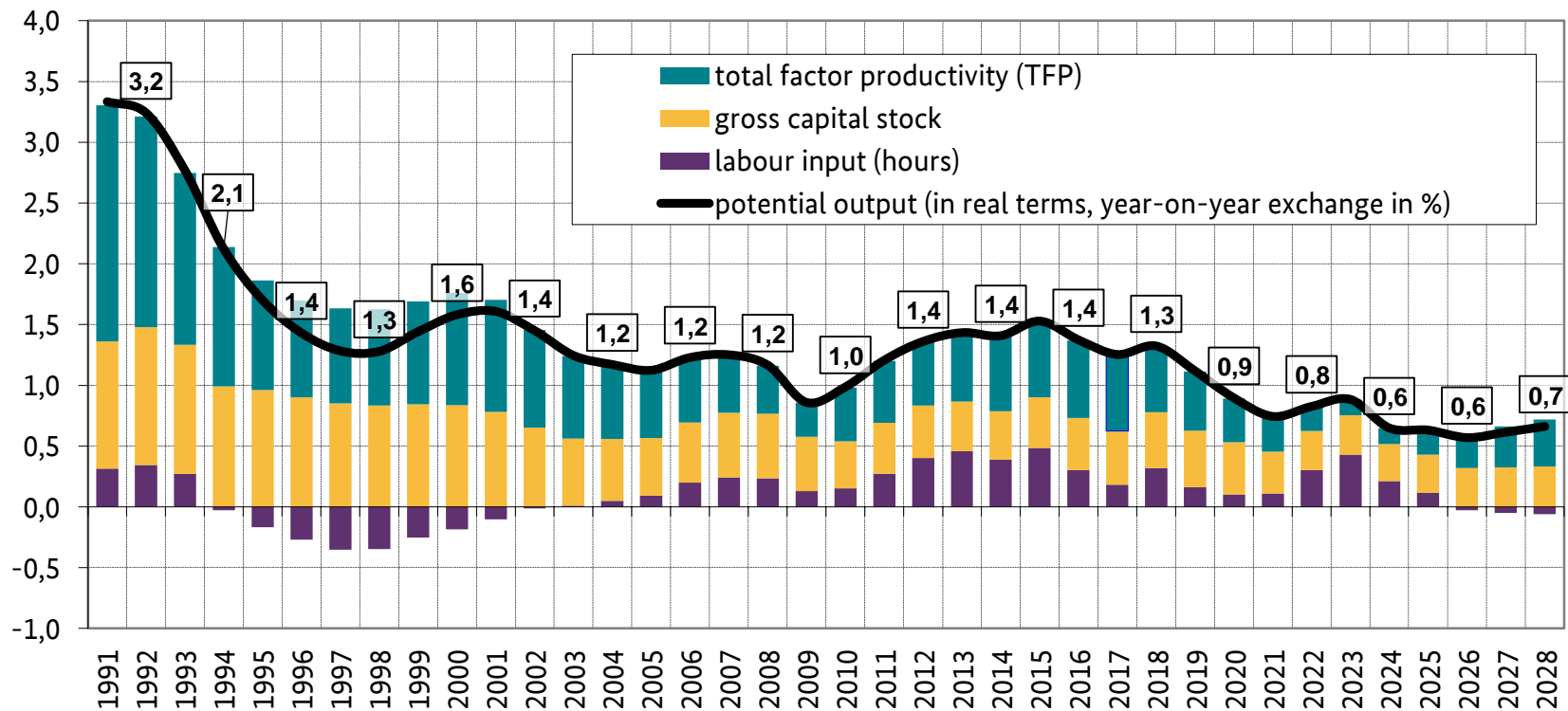
Germany's economic strategy to net-zero

*Panel “Clean Energy Transition and Climate Change”
at the International Economic Symposium, May 23rd 2024*

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Potential output growth in steady decline



Raising potential growth („Reformbooster“)



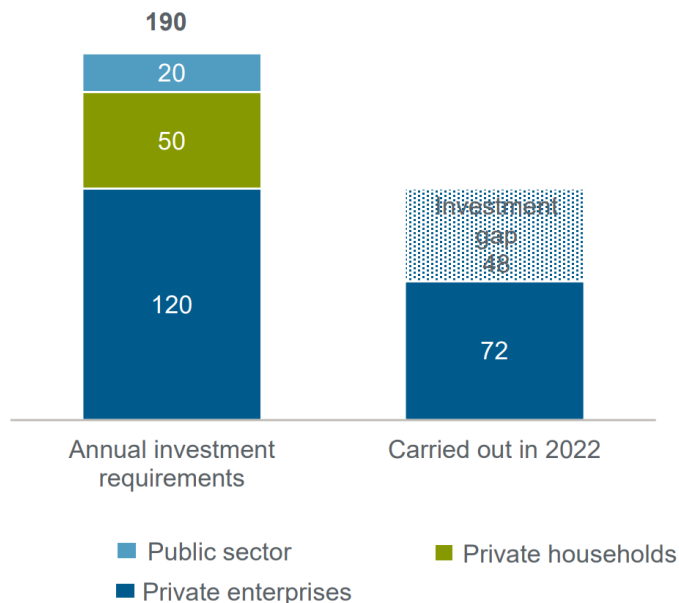
- ten fields of action for a modern supply-side policy
- „comprehensive and targeted or transformative“
 - **key input factors**: labour, capital, innovations, energy
 - **general framework**: eliminate red tape, investment, foreign trade
 - **specific & transformative**: climate-neutrality, technological sovereignty
 - **provision of basic goods**: e.g. housing, mobility



Backlog regarding „green“ transition

Figure 15: Average annual investment needed for Germany to become climate neutral by 2045

In EUR billions (plus price increases over time).



- According to KfW (2021, 2023) the average annual investment required to become climate neutral by 2045 amounts to 190 bn. Euro
- There are still significant investment gaps, shown here for private companies.

Strengthening incentives for investment

- high nominal corporate tax rate, but a low share as % of GDP
- targeted tax relief (Growth Opportunities Act) for investment ...
- ... and innovation is more effective than cuts in CIT
- limited fiscal leeway requires evidence-based prioritization
- mobilization of private investment via effective state aid

Mobilising capital, improving financing conditions

- improved access to private equity capital is key to investment
- increased integration of capital markets via EU capital market union
- initiatives for improving financing access for start-ups ready to scale up
- financing for the Future Act improves conditions for start-ups
- Future Fund strengthens the VC ecosystem via various modules



Bundesministerium
für Wirtschaft
und Klimaschutz

Thank you very much!

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