

# GERMAN INFRASTRUCTURE BULLETIN

---

## Briefing Note – Issue IV

25 March 2025

---

### 1. US DECELERATION

The ‘Trump Risk’ to the Inflation Reduction Act identified in our note “[The US Inflation Reduction Act and the EU Green Deal Industrial Plan – Infrastructure’s Big Bang!](#)” has materialised in the form of a radical switch from transferrable tax credits to an ideology of tariffs and climate change denial, thus slowing the US’s green transition.

### 2. EUROPEAN ACCELERATION

It could not have been predicted that the first two months of maga2.0 would be the spark that lights the German fuse:

- a historic vote in the [German Parliament \(Bundestag\)](#) amended the [German constitution](#) to lift the ‘debt break’ paving the way for substantial new fiscal stimulus:
  - ↳ defense, civil defense, cyber security, intelligence gathering, and the assistance of states that have been attacked in contravention of international law will be excluded from debt break calculations altogether; and
  - ↳ a €500bn special federal fund (*Special Fund*) may be established earmarked for investment in infrastructure and additional investments for achieving climate neutrality by 2045, €100bn of the Special Fund is specifically allocated to the Climate Transformation Fund (*KTF*). Importantly, a condition of additionality has been included meaning that investments planned as part of the core federal budget may not be reallocated to the Special Fund, for example, EEG subsidy funding will remain part of the core federal budget. A further €100bn of the Special Fund will be made available to the federal states for infrastructure investment;
- structural reform is almost certainly on the way - to increase competitiveness and direct Germany’s high levels of savings towards investment in sectors such as defense, clean

tech, infrastructure, and ‘deep and digital technologies’; and

- new forms of public private capital partnerships are being explored.

The alignment of the conditions identified as constituting ‘infrastructure’s big bang’ were increasingly moving into place at the outset of the year (including continued development of enabling and supportive green industrial policy frameworks, moderate fiscal support, energy sovereignty, persistent inflationary pressures, and less restrictive policy rates which are now close to a neutral level), now an additional shot of steroids is to be administered. Optimising the effective interplay between the transmission of these new public funds and the setting of incentive structures to maximise the participation of private capital is important for the new government to get right.

As a firm we are currently seeing opportunities in district heating networks, hybrid renewable generation and storage projects, hydrogen production and storage projects with regulatory support and offtake, carbon capture and storage projects, geothermal projects, and the upcoming electricity capacity markets.

On an EU level, the enabling policy framework continues to develop and the [Draghi Report’s](#) recommendations, amongst others, for EU capital markets and banking union (including securitisation) have taken on a new urgency. Indeed, even a path to the issuance of a form of ‘common safe assets’ seems to be becoming visible. Political stability and the rule of law – attractive to both capital and skills – are now at a premium, Europe must capitalise on this.

The moment of green infrastructure’s big bang seems to have arrived.

Obvious and profound risks remain to an accelerating expansion, including Europe’s collective failure to fully grasp this historic mantle.

\* \* \*



© 2025 Hargrove Real Assets LLP. All rights reserved.

Hargrove Real Assets LLP is a limited liability partnership registered in England and Wales with registered number OC359430. The term partner is used to refer to a member of Hargrove Real Assets LLP or an employee or consultant with equivalent standing and qualifications. A list of the members is open to inspection at its registered office, 37-41 Bedford Row, London WC1R 4JH, United Kingdom.

<https://hargrove.eu>