

Update from Berlin: Agreements of exploratory negotiations between CDU/CSU and SPD



Just 13 days after the elections for the German Bundestag, the two negotiating groups of the Christian Democrats (CDU and CSU) and the Social Democrats (SPD) agreed on key points for the so-called grand coalition ("Große Koalition"). The results of the exploratory negotiations mainly concern agreements on the economy, migration and social policy.

Economic and energy policy

- The electricity tax will be reduced to the EU-defined minimum, grid fees are to be halved initially and later permanently capped. Electricity price compensation should be expanded.
- As part of a power plant strategy, several gasfired power plants with a total capacity of 20 gigawatts are to be built by 2030. Power generation from renewables should be expanded. The world's first fusion reactor is planned to be built in Germany.
- The use of CCS ("carbon capture and storage") technology is to be enabled.
- Strategically important sectors, such as the automotive, semiconductor and pharmaceutical industries, are to be strengthened within a so-called high-tech agenda.
- The coalition-to-be will advocate the concluding free trade agreements, for example with the USA.

Labour and social policy

- A new basic benefit system for jobseekers is to be developed (reform of the so-called "Bürgergeld"); benefits can be withdrawn if jobseekers fail to cooperate. Existing social benefits will be consolidated and better coordinated.
- The minimum wage is set to rise to EUR 15 (by 2026).
- In future, maximum working hours will be regulated weekly instead of a daily. A framework for the digitalisation and AI in the workplace will also be established.
- The coalition will secure current pension levels. The transition from work to retirement will become more flexible, making voluntary work at retirement age economically attractive.

Tax policy

- The coalition intends to reform income and corporate tax.
- Overtime work should receive a positive tax effect.
- The agricultural diesel discount will be reintroduced.

ESG

- Bureaucracy and unnecessary reporting, documentation and statistical obligations are to be abolished as far as possible.
- Bureaucracy is targeted to be reduced by 25% over the next four years.

- Government processes will undergo digitalisation and automation.

Migration

- Bureaucratic hurdles hindering immigration of qualified skilled workers are to be removed; professional qualifications should be recognised more quickly. To improve skilled immigration an agency for skilled labour immigration will be established.
- Irregular migration is to be reduced, including by turning back asylum seekers at Germany's external borders. Voluntary admission programmes will be terminated and family reunification for persons entitled to subsidiary protection will temporarily be suspended.

Other projects

- Hospital care in urban and rural areas is to become more demand oriented. Additionally, a large care reform is planned.
- The rent freeze ("Mietpreisbremse") will be extended for two years; planning procedures are to be accelerated and building standards simplified.
- Currently, Germany applies a debt brake ("Schuldenbremse"), which limits new federal debt to a maximum of 0.35% of gross domestic product ("Bruttoinlandsprodukt"). An expert commission will propose reforms for making the debt brake more flexible.
- A special fund ("Sondervermögen") of 500 billion EUR will be set up for a period of 10 years for investment in roads, railways, education, digitization, energy and healthcare. Defence spending is to be exempt from the debt brake if it 1% exceeds of gross domestic product.

Next steps

If party committees from CDU, CSU, and SPD approve these results, formal coalition negotiations will begin. These negotiations involve detailed discussions in working groups covering these topics alongside additional issues until full alignment is reached. Compared with exploratory talks, coalition negotiations are more specific and involve broader participation of politicians of the three parties. If parties agree on fundamental political principles, they formalise their cooperation through a coalition agreement ("Koalitionsvertrag"). Successful coalition negotiations typically lead directly to electing the Federal Chancellor in the German Bundestag. Should negotiations fail, CDU/CSU would initiate new exploratory talks with other parties. Currently however, there are no indications that negotiations might fail; rather, successful exploratory talks suggest fundamental consensus on political objectives and plans.

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