

## Course adjustment: the CDU/CSU–SPD coalition agreement

Department for Germany and Northern Europe

On 9 April, the leaders of the CDU/CSU and the SPD announced a consensus on a coalition agreement. The 144-page document must still be approved by the respective parties – a process expected to take around three weeks and likely to result in approval. Ministerial appointments will be announced following the formal signing of the coalition agreement (see Appendix). The conclusion of the negotiations was accelerated due to growing uncertainty surrounding US trade policy. Additionally, the Christian Democrats faced accusations – including from within their own ranks – of making excessive concessions to the SPD. Friedrich Merz himself was accused of electoral fraud for pledging during the campaign to uphold the so-called debt brake, only to circumvent it even before the coalition was officially formed.<sup>1</sup> These circumstances, along with prolonged talks between party leaders, contributed to a rise in support for the AfD, which reached 25% in an Ipsos poll published on 9 April – surpassing the CDU/CSU (24%) for the first time. Merz is hoping that the formation of a new government will reverse the negative polling trend for his party.

The published document does not herald any revolutionary changes in Germany. The most substantial shifts concern fiscal policy and the method of financing investments, including plans for a fundamental reform of the debt brake. Another key element is the intention to curb migration. However, in many areas, the future government's ambitious declarations largely amount to adjustments to the course set by the previous cabinet.

In Germany, a coalition agreement is traditionally a politically significant document that sets out the government's overarching objectives and policy directions, and includes specific arrangements between coalition partners for the full legislative term. Key points of contention are typically resolved during the negotiation phase, which usually lasts several weeks. Due to its public nature, the document also serves as a benchmark for evaluating the government's performance. Civil society organisations often assess the implementation of commitments in selected areas – for example, at the midterm point of the legislative period.

The agreement adopted by the CDU, the CSU, and the SPD consists of six chapters outlining the partners' agreed priorities. The most important priorities include: spurring economic growth and

<sup>1</sup> 'Sprawczość na kredyt. Niemcy zwalniają hamulec zadłużenia', *Komentarze OSW*, no. 657, 11 April 2025, [osw.waw.pl](http://osw.waw.pl).

continuing efforts in climate and energy policy (Chapter I); tax reductions, digitisation, and reducing bureaucracy (II); combating illegal migration (III); maintaining progressive social welfare policy (IV); and strengthening defence and pursuing an assertive foreign policy (V). The final chapter, in keeping with tradition, sets out the rules for the functioning of the future government.

Each party will decide on joining the coalition in a different manner. The CSU leadership gave its approval on 11 April. The party of

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the future Chancellor, Friedrich Merz, plans to make its decision during a party congress in Berlin on 29 April. Meanwhile, the Social Democrats will hold an internal online referendum, in which 358,000 SPD members are eligible to vote. The vote will be accompanied by a series of internal party debates on the contents of the negotiated agreement. The greatest opposition to the deal comes from the SPD youth organisation, which argues that the agreement marks a departure from the party’s ideals, particularly regarding migration policy. Despite the controversy, there are many indications that all three parties will support the formation of a joint government. The Bundestag is scheduled to elect the Chancellor on 6 May.

## Success for the SPD and the CSU

The negotiated coalition agreement represents a particular success for the SPD, especially its co-leader Lars Klingbeil. Despite achieving its worst election result in 138 years, the party secured as many as seven ministries (the CDU also received seven; the CSU three) and succeeded in pushing through many of its own policy proposals, particularly in the area of social welfare policy. These include tax cuts for low-income earners, support for students, and maintaining pensions at 48% of the average wage. This significantly strengthens Klingbeil’s position; his ambitions go beyond taking up the roles of Vice Chancellor and Finance Minister in the future government. The SPD’s strong negotiating position was also due to the lack of a viable alternative coalition partner for the Christian Democrats – since the CDU has ruled out both cooperation with the AfD and forming a minority government – and Friedrich Merz’s determination to become Chancellor. Consequently, some CDU members have voiced criticism over what they see as excessive concessions to the SPD, and the party has suffered a drop in support. The Bavarian CSU, on the other hand, is satisfied with the outcome of the negotiations. The party succeeded in having all of its key demands included in the agreement: increased commuting allowances, a reduction in VAT on meals served in restaurants, cafés, and other catering outlets from 19% to 7%, higher pensions for mothers by factoring in maternity leave in benefit calculations; and a tougher stance on refugees.

## Curbing migration is the CDU’s most important task

Prioritising the goal of significantly curbing illegal migration can be viewed as the main success for the Christian Democrats. The coalition agreement includes, among other measures, the possibility of denying entry even to individuals applying for asylum in Germany. The phrase ‘in agreement with neighbouring countries’ is a point of contention among the coalition partners, although Merz has already announced that he will consult this issue with the leaders of the neighbouring countries during his first visits after being sworn in. Responsibility for implementing this policy will fall to the Minister of the Interior representing the CSU, the party most determined (aside from the AfD) to curb migration. The aim is also to weaken support for the increasingly strong AfD, whose core demand is a stricter migration policy. Germany currently denies entry in around 56% of illegal border crossing attempts (data for the second half of 2024), and the number of asylum applications filed since the beginning of the year has fallen by 45% compared to the same period last year, to 36,000.

Further progress is expected through measures such as reducing social welfare benefits for refugees (including Ukrainian nationals), increasing the number of deportations (by pressuring countries of origin, for example through threats such as cuts to development aid), and expanding deportation infrastructure, including the number of detention places for individuals deemed a security threat. Plans also include resuming deportations to Syria and Afghanistan.

In domestic policy, the coalition parties have announced plans to strengthen law enforcement services, including through the adoption of a new federal police

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law that will expand the agency’s powers, primarily in the area of cyber and telecommunications capabilities. The coalition has pledged to enhance cyber security, counterintelligence operations, and efforts to combat espionage and sabotage. There is an emphasis on the need for decisive action against clan crime and Islamism, including through the creation of a dedicated task force and the expansion of preventive measures within the Interior Ministry. The coalition also commits to combating anti-Semitism, including through a ban on funding organisations that challenge Israel’s right to exist. Further investments are planned to modernise civil protection infrastructure and the national disaster response system.

One of the key ambitions of the future coalition will be to improve cooperation between state- and federal-level authorities. Many sections of the coalition agreement (including those concerning migration policy, internal security, and education) emphasise the need for better coordination of actions. This can be interpreted as a further argument in the ongoing debate about partial centralisation and a new division of powers between the federal states and the federal government. In the long term, this represents one of the most significant challenges facing Germany.

## **Tax relief and a boost to the economy**

Economic policy was one of the key topics of the election campaign and will remain a major issue due to the ongoing economic crisis (Germany experienced a recession in 2023 and 2024, with only minimal growth forecast for this year). The incoming government has set itself the goal of increasing the country’s potential growth rate to at least 1%, a target it aims to achieve through a strongly expansionary fiscal policy.

One of the main proposals involves a comprehensive tax reform. The coalition partners intend to stimulate the economy by reducing corporate taxes: between 2025 and 2027, this will take the form of favourable depreciation allowances, followed from 2028 by a gradual reduction in the corporate tax rate by one percentage point in five steps (from 15% to 10%). Personal income tax will be lowered for individuals on low and middle incomes. Additionally, one of the new government’s first initiatives will involve a significant reduction in electricity prices for households and businesses. This will be achieved by lowering the electricity excise duty to the EU minimum and slashing the grid fee through budget-funded subsidies for electricity grid expansion. To meet the demands of energy-intensive industries, the price of natural gas is also to be reduced by eliminating the so-called storage fee.

The parties aim to address the shortage of skilled labour, including through tax exemptions for working pensioners (with a monthly income not exceeding €2,000) and for overtime worked in full-time positions. To spur the domestic automotive industry, the coalition proposes special depreciation allowances and tax incentives for the purchase of new electric vehicles. Fiscal policy was one of the main points of contention between the parties. Ultimately, this area was dominated by the Christian Democrats,

who advocated for tax relief and a flattening of income tax progression. The Social Democrats, on the other hand, supported tax increases, including income tax for high earners, inheritance and gift taxes, as well as the reintroduction of a wealth tax.

The document also refers to the fiscal package already adopted by the Bundestag, as well as the so-called German Fund, amounting to €100 billion and operating as an investment vehicle. Its aim is to support national infrastructure

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and enterprises of strategic importance to the state. Additionally, the coalition partners emphasise the need for greater integration at the EU level – both in enhancing the banking and capital union and in areas such as trade (including arms) and the extraction and import of raw materials. The agreement calls for strengthening the automotive and steel industries, as well as the biotechnology, chemical, and microelectronics sectors. These proposals primarily reflect an attempt to safeguard domestic industry and reduce dependence on China and the United States. Alongside enhanced EU integration, the document also expresses a desire to pursue cooperation with ASEAN and Mercosur countries. Another key priority involves the comprehensive reduction of bureaucracy in the economy, a need long signalled by the private sector in relation to reporting obligations. The coalition plans to reduce bureaucratic burdens by 25%, equivalent to approximately €16 billion, and to repeal certain reporting requirements, including those set out in the Supply Chain Act.

According to Dezernat Zukunft, the proposals are expected to contribute to an increase in economic growth by 0.4 percentage points, to 1.2% by 2029. However, they may also result in a budget shortfall of up to €50 billion, as projected revenues are unlikely to offset the planned expenditures.

## **Energiewende with only minor adjustments**

The agreement between the CDU, the CSU, and the SPD heralds a continuation of the *Energiewende* in its current form, albeit with adjustments focused primarily on reducing the costs of the energy transition and introducing a slightly more pragmatic approach to its implementation. The coalition agreement does not include any plans to revisit the nuclear phase-out policy. Instead, the coalition partners reaffirm their commitment to further ‘decisive’ expansion of renewable energy sources (RES). However, this development is to be better synchronised with the expansion of the electricity grid and based on more realistic forecasts of rising energy demand as part of the transition. This likely implies a reduction in RES targets and a certain slowdown in their expansion, particularly in the rapid growth of photovoltaics. The Christian Democrats and the Social Democrats are also abandoning efforts to accelerate the coal phase-out (the Scholz government had aimed to complete it by 2030) and are maintaining the current legal framework, which stipulates that the last coal-fired units are to be shut down by 2038.<sup>2</sup> The agreement also upholds the concept of natural gas as a transitional fuel to supplement renewables, and replace coal and nuclear power.

The new government has announced support for the construction of new natural gas-fired power plants with a combined capacity of up to 20 GW by 2030. In the long term, it plans to introduce a ‘market-based and technology-neutral’ capacity mechanism. A notable shift is the planned opening of a second decarbonisation pathway for gas-fired units: alongside the previously favoured transition to hydrogen, carbon capture and storage (CCS) is now also being considered as an alternative end

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<sup>2</sup> M. Kędzierski, ‘Germany bids farewell to coal. The next stage of the *Energiewende*’, OSW, Warszawa 2022, [osw.waw.pl](https://osw.waw.pl).

solution. A legislative package enabling investments in CO<sub>2</sub> capture, transport, and storage infrastructure is set to be one of the new government's first initiatives. This also addresses the expectations of various industrial sectors (such as the cement, steel, and chemical sectors) that are seeking to adopt CCS technology in the decarbonisation process. Finally, the coalition partners are pledging a more pragmatic approach to spurring the development of the hydrogen economy by supporting the use of all low-emission hydrogen variants, not just the so-called green hydrogen.

In climate policy, the coalition re-affirms its commitment to current decarbonisation targets, both at the national level (achieving cli-

mate neutrality by 2045) and at the European level. However, there is a noticeable shift in emphasis: the parties now aim to better reconcile decarbonisation with economic competitiveness and social considerations, signalling that the climate agenda will no longer be the overriding priority. The new government argues that emissions trading is the most effective climate policy instrument and supports the introduction of the EU's ETS 2 system as planned, starting in 2027. Revenues from emissions allowance sales are to be returned to citizens and businesses, primarily through reductions in energy prices, subsidies for switching to low-emission technologies, or – potentially – through direct payments in the form of a so-called climate dividend.

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### The primacy of security

The top priority of the new government's defence and foreign policy is to ‘guarantee peace, security, and freedom’ for Germany. The coalition partners have identified Russia's actions as the most direct threat. Although not explicitly stated in the document, this threat is, from Berlin's perspective, amplified by uncertainty surrounding the future presence of US troops in Europe. The agreement emphasises the importance of transatlantic relations and Germany's readiness to take on greater responsibility for collective security. The parties aim to strengthen NATO's European pillar and to further develop Germany's role as a logistical hub for the Alliance in Europe.

The E3 group (Germany, France, and the United Kingdom) is to serve as one of the intergovernmental formats for coordinating foreign policy. The coalition agreement does not include the Christian Democrats' proposal to introduce mandatory military or civil service. Instead, ‘for now’, the new government intends to maintain voluntary military service and aims to implement a Swedish-style model, based on training a small number of recruits each year – most of whom are volunteers. The coordination and strategic planning of national security policy will fall under the responsibility of a newly established National Security Council, operating at the Federal Chancellery.

In European policy, the CDU/CSU and the SPD will seek to introduce qualified majority voting (QMV) in the area of the Common Foreign and Security Policy (CFSP) in the EU Council, as well as to assume a ‘leading role’ in this domain. Enhancing the EU's effectiveness is to be achieved by streamlining the decision-making process through the use of passerelle clauses and the enhanced cooperation mechanism. As with the outgoing SPD–Greens–FDP government, the incoming coalition partners also support the view that EU enlargement should be preceded by institutional reforms.

The document includes a pledge to further ‘enhance friendship’ with Poland and to pursue close coordination on all key European policy matters within the framework of the Weimar Triangle. However, it makes no mention of the proposed contact group for supporting Ukraine – comprising Germany, Poland, France, and the United Kingdom – which Friedrich Merz had advocated establishing ahead of the Bundestag election. The new government intends to move swiftly to establish a memorial site

for the victims of German aggression and occupation in Poland, to be located at the former Kroll Opera House site in Berlin. It also supports the creation of a German-Polish House in the centre of the German capital. Additionally, the parties plan to strengthen the Foundation for Polish-German Cooperation and expand key transport infrastructure links leading to Poland and the Czech Republic.

In their approach to Kyiv and Moscow, the new coalition partners do not go beyond the policies of their predecessors: they support maintaining sanctions imposed on Russia and endorse the European Commission's plan to impose tariffs on fertiliser imports from Russia and Belarus. Germany will continue to support Ukraine and advocate for a 'genuine and lasting' peace agreement. The new cabinet signals its readiness to adopt a more confrontational stance towards China. The coalition partners acknowledge that elements of systemic rivalry have come to dominate relations with Beijing. While Germany intends to cooperate with China in areas aligned with 'German and European interests', it also aims to intensify engagement with other Indo-Pacific countries. Furthermore, the parties pledge to reduce one-sided dependence on China and to revise the national China strategy in line with the principle of de-risking – for example, by procuring components only from trusted countries in sensitive areas of critical infrastructure.

### **Outlook: cooperation will be difficult**

The coalition agreement between the CDU/CSU and the SPD does not herald a breakthrough in Germany's policy direction; rather, it reflects an effort to adapt the country's actions to current domestic and international challenges. The practical implementation of these provisions will largely depend on the appointment of specific ministers responsible for carrying them out. The personalities and political weight of individual ministers will influence the setting of priorities, their execution, and the style of communication. The latter is particularly significant – as demonstrated during the previous Bundestag term, poor communication led to numerous misunderstandings and internal tensions within the Scholz government, which negatively affected public perceptions of its performance.

Although the number of parties making up the coalition has been reduced (previously three parliamentary groups cooperated), collaboration between the Christian Democrats and the Social Democrats is expected to be challenging. This stems from the pressure on the CDU/CSU from the increasingly powerful AfD, as well as the pressure on the SPD from the left and the Greens. A lack of rapid improvement in the economic situation will only intensify this strain. Next year's elections in the eastern federal states of Saxony-Anhalt (governed by the CDU) and Mecklenburg-Vorpommern (under SPD leadership) will represent an additional destabilising factor. In both cases, polls suggest a possible victory for the AfD.



## APPENDIX

### The allocation of ministries and their expected staffing

| Office  | Party | Office holder  |
|---|-------|--|
| Federal Chancellor  | CDU   | Friedrich Merz – party leader  |
| Head of the Federal Chancellery   | CDU   | Thorsten Frei – secretary of the CDU/CSU parliamentary group in the Bundestag  |
| Minister of Finance   | SPD   | Lars Klingbeil – party co-leader   |
| Minister of Defence   | SPD   | Boris Pistorius – incumbent Minister of Defence  |
| Minister for Foreign Affairs  | CDU   | Johann Wadephul – deputy head of the CDU/CSU parliamentary group for foreign and security policy<br>or<br>David McAllister – chair of the European Parliament Committee on Foreign Affairs<br>or<br>Armin Laschet – head of the German delegation to the Parliamentary Assembly of the Council of Europe |
| Minister of the Interior  | CSU   | Alexander Dobrindt – deputy head of the CDU/CSU parliamentary group at the Bundestag   |
| Minister of the Economy and Energy  | CDU   | Jens Spahn – deputy head of the CDU/CSU parliamentary group<br>or<br>Andreas Jung – party deputy leader  |
| Minister of Digitisation and State Modernisation                                  | CDU   | Kristina Sinemus – Minister of Digitisation and Innovation, Hesse  |
| Minister of Education, Family Affairs, Senior Citizens, Women and Youth           | CDU   | Karin Prien – party deputy leader, Minister of Education of Schleswig-Holstein<br>or<br>Silvia Breher – party deputy leader  |
| Minister of Labour and Social Affairs   | SPD   | Bärbel Bas – president of the Bundestag in the previous term   |
| Minister of Transport   | CDU   | Andreas Jung – party deputy leader<br>or<br>Ina Scharrenbach – Minister for Regional Identity, Local Government, Building and Digitalisation of North Rhine-Westphalia   |
| Minister for the Environment, Climate Action, Nature Conservation, Nuclear Safety | SPD   | Matthias Miersch – party general secretary<br>or<br>Verena Hubertz – deputy head of the parliamentary group  |
| Minister of Justice and Consumer Rights   | SPD   | Sonja Eichwede – SPD MP and inactive judge   |
| Minister of Health  | CDU   | Tino Sorge – spokesperson for the CDU/CSU parliamentary group for health care  |
| Minister of Economic Cooperation and Development                                  | SPD   | Svenja Schulze – Minister for Economic Cooperation and Development and former Minister for the Environment   |
| Minister for Housing, Urban Development and Building                              | SPD   | Carsten Schneider – Minister of State for East Germany and Equivalent Living Conditions  |
| Minister of Agriculture   | CSU   | Michaela Kaniber – Minister of Agriculture of Bavaria  |
| Minister of Research, Technology and Space Exploration                            | CSU   | Dorothee Bär – former Minister of State for Digitisation   |
| Advisers to the Chancellor on foreign and security policy                         |       | Géza Andreas von Geyr – Permanent Representative of Germany to NATO<br><br>Michael Clauß – Permanent Representative of Germany to the EU<br><br>Martin Jäger – Germany's ambassador to Ukraine   |