

The “Traffic Light” Coalition Contract explained

Two months after the German parliamentary elections on 26 September, the Social Democrats (SPD), the Greens (Die Grünen) and the Liberals (FDP) have reached an agreement on a government coalition contract¹. It comprises a 177-page coalition text entitled "Daring to make more progress - an alliance for freedom, justice and sustainability" (*Mehr Fortschritt wagen – Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit*) and was announced on 24 November 2021 at a press conference in Berlin. In this regard the choice of the term 'freedom' refers to the liberal FDP, 'justice' to the SPD and 'sustainability' to the Greens.

The agreement now has to be approved by all three parties by 5 December² before an investiture vote for Chancellor Olaf Scholz in the Bundestag in the week of 6 December. The federal government will then be sworn in by Federal President Frank-Walter Steinmeier on the same day.³ The Traffic Light coalition (*Ampel* in German) is therefore on track to meet the deadlines of its political calendar announced since the beginning of the negotiations.

The coalition contract constitutes the work programme of the next coalition and aims to stabilise the tripartite association. Indeed, the three parties have committed to the respect of the main axes explicitly defined in the coalition text, but also not to take any unilateral initiative that would not be included in the text. The text comprises seven thematic chapters with a preamble that sets out the coalition's main objectives: the modernisation of the State, the fight against global warming and, more specifically, compliance with the Paris Agreement's path to 1.5°C, and the search for a free and equal society. An additional chapter at the end of the document specifies the organisation and working methods of the future coalition as well as the distribution of ministries. Out of a total of sixteen ministries, the SPD is expected to hold seven, not including the chancellery, the Greens five and the FDP four.

Content of the coalition contract

"Daring to make more progress - an alliance for freedom, justice and sustainability"

“Modern state, digital awakening and innovations”

The new coalition wants to ensure wider digital coverage and efficiency as well as ease of administration. The legislative process is also concerned by this drive for digitisation. The creation of a digital legislative portal is planned for, which will make it easier to see the progress of a legislative project. The ambition is to stimulate the participation of civil society in the legislative process. Increased transparency regarding the financing of political parties and improved access to all legislative projects are also points addressed in this part of the agreement.

The coalition agreement foresees the reform of German electoral law, notably regarding the number of seats in the Bundestag from the first year onwards and the right to vote in European elections at the age of 16 as well as in federal elections, which would require an amendment to the German Basic Law.

Infrastructure is also at the heart of the next government action with the creation of new high-speed rail links and the development of a national fibre-optic network. The Ministry of Digital Affairs is to be held by the liberal FDP party.

¹ https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag/Koalitionsvertrag_2021-2025.pdf

² The 125,000 members of the Green party start voting on 25 November for a period of 10 days. On 4 December there will be a vote in an extraordinary SPD congress and on 5 December an extraordinary digital FDP congress will be held at which the Liberal party will vote on the coalition contract.

³ After this date, the new Chancellor will have international obligations.

“Climate protection in a socio-ecological market economy”

As a major guiding principle for the negotiations and future government action, the section on the climate includes a number of significant announcements. Firstly, the coalition text foresees an 'ideal' phase-out of coal by 2030. The use of the word 'ideally' would indicate that the Greens did not succeed in achieving the acceptance of a more ambitious formulation during negotiations. Also, by 2030, the coalition projects an 80% share of renewables through the strengthening of the solar and wind energy infrastructures.

In addition, roof surfaces must be able to accommodate solar panels in the future. For new commercial buildings, this should become mandatory and a standard for private buildings. 2% of the land area in Germany must be used for wind energy production (currently 0.9% is dedicated to this purpose). The price of carbon will be capped at a minimum ceiling of €60 per tonne of carbon.

For transport and industry, the coalition aims to have at least 15 million totally electric cars on the road by 2030. Within the European Union, Germany, together with its European partners, wants to be a champion of green hydrogen by 2030. Rail freight transport will be increased to 25% by 2030. As for nuclear power, the coalition confirms its rejection.

Among all of these measures, the horizon of Germany's climate policy is still the goal of climate neutrality by 2045. The idea of a "green" veto right for the Climate Ministry, which would be able to block any legislative proposal from other ministries that would go against the climate objectives, was mentioned in the final hours of the negotiations, but does not appear in the text. However, it is written that all new laws that are enacted will have to be assessed for their climate impact.

At ministerial level, Green Party co-chair Robert Habeck will have a super-ministerial portfolio that includes the economy and climate, which probably gives him more room for manoeuvre to pursue a coherent environmental and economic policy. The transport ministry goes to the FDP.

“Respect, opportunity and social security in the modern world of work”

The minimum wage will be increased to €12/hour - a measure that will benefit 10 million citizens - a key promise of Olaf Scholz's campaign, but also supported by the Greens. The Hartz IV unemployment insurance laws will be replaced by a "citizens' allowance" (*Bürgergeld*). An important part of this section concerns the integration of young people into the labour market, with a particular focus on training and supplementary income in general.

With regard to pensions, the coalition is committed to not lowering pensions or raising the statutory retirement age. The minimum pension level will be maintained in the long term.

Cannabis consumption will be legalised for adults and regulated in licensed shops. This is a further sign of the social liberalisation of German society sought by the three-party coalition.

The text provides for a reform of the housing policy, a strengthening of the housing allowance and demands the construction of 400,000 new flats per year, of which 100,000 flats should be subsidised by the state. Regarding energy in buildings, by 1 January 2025 every newly installed heating system must be powered by 65% renewable energy. Still on the issue of housing, rent increases in major cities will be capped at 11% over three years, compared to the current 15%.

The so-called social ministries, including a new Ministry of Construction, will be led by the Social Democrats, except for the Ministry of Family Affairs, which will be led by the Greens.

“Opportunities for children, strong families and the best education throughout life”

A campaign theme of the left in the last elections, the coalition places strong emphasis on children and education (which is a competence of the Länder). The Ministry for the Family, which will be led by the Greens, plans to create 4,000 additional schools in disadvantaged areas in Germany. Digital technology is also at the forefront of the coalition's major orientations, with the proposal to create digital courses in schools. More generally, the new coalition will prepare a legislative

package to improve child protection and parental leave. The biggest announcement regarding the family remains the introduction of children's rights in the Basic Law.

“Freedom and security”

The coalition is pushing for Europol to become a European criminal police office with its own operational capacity. It also wants to increase the funding and the number of people working in the European Public Prosecutor's Office. The future coalition targets right-wing extremism as the greatest threat to German democracy in its text. In this respect, the coalition advocates European action to standardise the definition of common threats and to share databases.

As for citizenship, the text provides for the creation of a modern citizenship law that would facilitate the process of obtaining German nationality.

Finally, the three parties guarantee a better representation of East Germans in leadership positions and decision-making bodies in all areas. The Ministry of the Interior will be entrusted to the SPD.

“Germany's responsibility for Europe and the world”

In a specific section on the future of the EU, the tripartite coalition declares itself in favour of the development of the EU into a European federal state and does not rule out a revision of the existing treaties. The coalition contract mentions the wish to favour the creation of partly transnational lists in the European elections and supports the *Spitzenkandidat* system for the presidency of the European Commission. The coalition also plans to extend qualified majority voting in the EU Council and to strengthen the role of the European Court of Justice. The text also mentions the commitment to increase Europe's strategic sovereignty, notably in the fields of energy security, health, digital technologies and the import of raw materials. Overall, the coalition calls for German interests to be defined in the light of European interests.

The coalition is in favour of maintaining the Stability and Growth Pact in a flexible form.

In the area of European foreign policy, the German coalition wants to transform the office of the High Representative of the European Union for Foreign Affairs and Security Policy into a full-fledged EU Foreign Minister. The text also promotes the abolition of the unanimity rule for qualified majority voting in the Common Foreign and Security Policy (CFSP) while developing a mechanism to give appropriate weight to smaller Member States.

Under this coalition, the three parties will commit to active participation in the establishment of a "*strategic compass*" for the EU. In this sense, the coalition wants to create common command structures and a common civil-military headquarters.

Regarding European partners, the coalition stresses the importance of the Franco-German partnership and friendly ties with Poland. The coalition supports the accession of the Western Balkan countries to the EU and wants to settle the disputes in the region by, for example, re-establishing dialogue between Serbia and Kosovo.

The coalition wants a "new beginning" for European migration policies. The coalition wants to facilitate and accelerate the procedures for obtaining asylum and residence permits in Germany and at European level. On the other hand, the coalition announces that it will authorise humanitarian visas for people at risk.

As for international relations, the text mentions the wish to encourage a "feminist foreign policy". The coalition contract reiterates its commitment to the transatlantic relationship as a "pillar" of German international action and "*indispensable element*" of the country's security. The coalition pledges to comply with its NATO commitments and to invest 3% of its GDP in international action over the long term.

On Russia, the coalition reports "*deep and varied German-Russian relations*" and declares itself ready for constructive dialogue with Russia. The three parties call for an immediate halt to destabilisation attempts against Ukraine and reaffirm the illegality of Russia's annexation of Crimea. It should be noted that the coalition agreement does not mention

the Nord Stream 2 project anywhere. As for Turkey, the coalition wants to freeze negotiations on EU membership prospects, but the country remains an important EU neighbour for this future coalition. With regard to China, the tripartite coalition declares that it wants to develop Sino-German relations as a partnership, but also mentions in its text the term "systemic rivalry" (*Systemrivalität*) between the two countries, particularly with regard to the issue of human rights. Moreover, the coalition is against an investment agreement between China and the EU as it stands. The new government would like to call for a comprehensive Chinese strategy towards China as part of the EU-China common policy.

Green Party Co-President Annalena Baerbock will be given the Ministry of Foreign Affairs. The Ministry of Defence will go to the SPD.

“Investing in the future and sustainable finance”

The section on the financing of the investments that are now being planned remains rather vague but mentions the guiding idea of investing massively in innovation and more specifically in the areas of sustainable development. Priority areas of investment will be climate protection, digitisation, the strengthening of infrastructure, education and research.

The coalition gives some indications about the federal budget, which will focus on the recovery of growth after the Covid-19 crisis until 2022. From 2023 onwards, the coalition guarantees to reduce the debt that increased during the pandemic with the reaffirmation of the debt brake (*Schuldenbremse*) laid down in the German Basic Law.

The liberal influence of the FDP can also be seen in this section, which tends towards the establishment of a strong European banking and financial market, the limitation of so-called 'superfluous' and inefficient subsidies and the encouragement of private investment. “Green” investments or investments in the digital sector should also be supported by public actors, including the public investment bank KfW. Investments in support of a green transition and in the digital sector will be the subject of a "*super amortisation allowance*" in 2022 and 2023.

Finally, the coalition supports the introduction of a European digital currency. Unsurprisingly, it is the leader of the liberal FDP party who will hold the Finance Ministry. However, it should be noted that the coalition contract no longer mentions that there will be no tax increases over the next term.