



To the point!

Cross-Asset- and Strategy-Research

Where Lindner can find a lot of money

Environmentally harmful subsidies account for over €65 bn annually

Does it also seem to you as if you are listening to a broken record when you follow the political goings-on in Berlin? The political dialogue is increasingly following a predictable pattern: In preparation for the 2024 federal budget, line ministries are presenting spending programs aimed, among other things, at implementing the government's plans stipulated in the coalition agreement. This is then followed by the finance minister, Christian Lindner shrugging his shoulders, pointing to empty coffers and shaking his head more or less sadly.

Save money, but do it right

Obviously, all public expenditures must always be scrutinized to ensure the best possible use of taxpayers' money. This is also explicitly called for in the [coalition agreement](#).

In conversations, for example, I hear again and again that the much too large Bundestag is inefficient and too expensive. With 735 deputies, our parliament is actually the world leader – if we disregard the Chinese rubber-stamping pseudo-parliament, the National People's Congress. A reduction in the number of deputies is therefore desirable. But financially, slashing the number of MPs will not move the needle. The all-in cost of the Bundestag was estimated in the 2023 federal budget at just over **€1 billion**. Sounds like a lot. But compared to the more than €470 billion in total federal spending, a parliamentary shrinkage may not even be the proverbial drop in the bucket.

When looking for public savings, there are low hanging fruits. And pretty juicy ones, too. The [Federal Environment Agency](#) has identified environmentally harmful subsidies of over €65 billion (2018). With this money one could inflate the Bundestag to



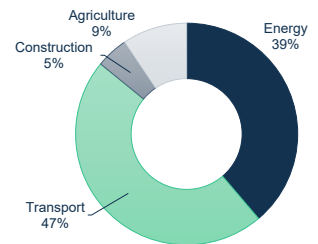
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The coalition bickers about money

Share of environmentally harmful subsidies in Germany 2018 (€65.4 billion)



Source: Federal Environment Agency

over 40,000 members! But, of course, these public funds could be put to better use pursuing truly pressing priorities.

Nearly half of the climate-damaging subsidies are incurred in the transport sector (see figure). The energy rebate for diesel fuel and the tax exemption for aviation fuel, for example, each account for over €8 billion. Every year. The commuting allowance costs €6 billion annually, the VAT exemption for international flights €4 billion, the flat-rate taxation of privately used company cars costs the public purse €3 billion.

How, pray tell, do these fiscal outlays fit into a coherent strategy to reach a 1.5-degree world?

Political win-win-win situation?

Eliminating environmentally harmful subsidies should enthuse the Liberals (FDP): it would support their drive to economize public spending and promote a liberal market economy. But it would also surely delight the Green party, as it would rhyme nicely with their comprehensive climate policy ambitions. That would be a rare similarity between these two "partners", which are recently being seen to be at loggerheads over almost every aspect of policymaking. And Olaf Scholz? He could yet be celebrated as "climate chancellor" after all. Don't you remember the big red "Chancellor for Climate Protection" campaign posters? Not much has come out of it so far.

If Scholz' traffic light coalition would dare to chop these subsidies courageously, his coalition could perhaps go down in the history books as a great reform government after all!

Environmentally harmful subsidies are particularly prolific in the transport sectors.

All coalition partners could declare victory

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