



To the point!

Cross-Asset- and Strategy-Research

Why a climate bonus would be a smart idea

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Acceptance of German (climate) policy urgently needs support

The German CO₂ price for petrol, heating oil and gas is rising. Since the beginning of the year, it has been 45 euros per ton, next year it will climb to 55 euros and then 65 euros in 2026. With the faster than planned increase, the government wants to close part of the funding gap following the [ruling of the German Constitutional Court in November 2023](#).

That is to be welcomed. I always advocate a climate policy that makes use of market-based mechanisms. Whether there is a strategic master plan behind it or a hastily cobbled together austerity package I don't care. Nor does the climate, by the way.

Making higher energy prices more equitable

But of course, there is a downside to the desired effect of nudging people away from fossil fuels. Life becomes more expensive. And this can be particularly painful for households at lower incomes, as they often spend a relatively large proportion of their money on energy and mobility.

Originally, the German coalition government wanted to financially offset the unavoidable additional burdens by paying out a consumption-independent climate bonus ("Klimageld" in German) for households. Switzerland has been showing for years that this works. So does Austria. This transfer payment would return the revenue from the CO₂ tax to the population. Households that produce little CO₂ could look forward to a profit because the flat-rate climate bonus would exceed their CO₂ tax expenditure. People who fly a lot, own a large house, and drive a large car full speed on the autobahn will end up paying more.

The CO₂ price has risen to 45 euros

Climate-friendly behavior is rewarded

That's a good thing. Climate-friendly behavior is rewarded, climate-damaging behavior costs money. And citizens retain their freedom of choice.

These days it is often claimed in Germany that the coalition has promised the climate bonus for this legislative period. This is not entirely correct. The coalition agreement merely states: "We will develop a social compensation (Klimageld)". This would not be implemented before the end of 2025 at the earliest.

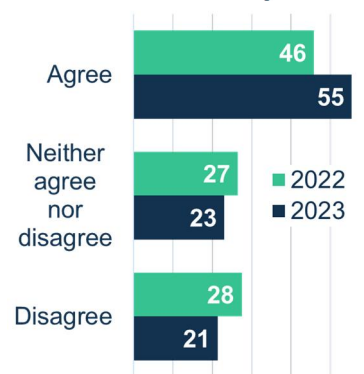
Climate policy must not divide society

Last years' controversial heating law episode has demonstrated how quickly the support for climate policies can dwindle when they start to hit Germans' own wallets. This erosion of support was exacerbated by malicious misreporting of the yellow press that people would be forced to rip out and replace their existing oil or gas heating with a climate-friendly alternative at their own expense. This led to massive protests. Social cohesion is at risk as a result of the energy transition (see illustration on the right).

A climate bonus is the ideal instrument to strengthen acceptance. Finance Minister Christian Lindner argues that the revenue from the CO₂ tax now flows into the Climate and Transformation Fund. There it finances "the promotion of heating, building refurbishment, charging stations for electric cars, and so on". But the idea behind the climate bonus is completely different: the CO₂ tax-related costs should reimburse all citizens equally. This would have had a social equalizing effect. The way it works now, well-off households benefit disproportionately. After all, who buys heat pumps or drives electric cars?

The German coalition is in trouble. With a climate bonus, it could regain trust and at the same time take the reins of climate policy back into its own hands. That would cost money? Yes, of course. But prioritizing spending is currently en vogue in Germany.

„I fear that the energy transition will foster social divisions in Germany“



Answers in %

Source: [Bertelsmann-Stiftung](#), LBBW Research

A question of priorities

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