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SAFEGUARDING COMPETITIVENESS, ACCELERATING TRANSFORMATION

2026 will be a crucial year for Germany as an industrial location. The transformation toward climate-neutral and digital mobility is in full swing – technologically, structurally, and strategically. Companies are investing in new powertrains, software architectures, battery cell production, and modern plants. Yet as industrial renewal gathers pace, location decisions are being made more rigorously, more internationally, and with greater cost awareness than ever before.

Anyone investing billions today in production facilities, research, and digitalization requires reliable framework conditions. Planning certainty is not a luxury; it is the foundation of responsible entrepreneurship. The focus is on investment cycles spanning decades, on training opportunities, on regional value creation, and on technological sovereignty.

The automotive industry stands by its responsibility for climate protection, innovation, and employment. It can deliver – technologically, industrially, and in global competition. To ensure it continues to do so in Germany, it needs a state that enables rather than delays, that provides reliable direction instead of making ad hoc adjustments. Now is the time to set the economic policy framework so that transformation and competitiveness go hand in hand.

INVESTMENTS AND JOBS: LOCATION DECISIONS ARE REAL

What initially became visible in individual large-scale projects has now reached the backbone of the industry: the automotive SME sector. A recent survey of suppliers as well as manufacturers of trailers, bodies, and buses reveals the scale: 72 percent of companies are postponing, relocating, or canceling planned investments in Germany. Twenty-eight percent plan to shift investments abroad, 19 percent are canceling them entirely, and 25 percent are postponing them indefinitely.

This does not come without consequences. Investments are now being followed by mounting pressure on employment, training capacities, and research activities. For many companies, this is not an abstract metric but a concrete decision about shift models, talent development, and the future of entire sites – with implications far beyond factory gates.

The causes are well known and politically addressable: high energy prices, a comparatively heavy tax and levy burden, rising labor costs, lengthy approval procedures, and a density of regulation that ties up time, capital, and management attention. When employees spend an average of around 22 percent of their working time on bureaucracy, and companies estimate the associated costs at roughly six percent of their revenue, these resources are lacking for innovation, qualification, and market introduction. Bureaucracy and digital deficits thus add up to substantial losses in prosperity – on a scale that can reach hundreds of billions of euros at the macroeconomic level.

In addition, there is a changed geopolitical reality. Trade tensions, tariff debates, and industrial policy subsidy programs are increasing uncertainty in globally interconnected value chains. For export-oriented industries, this means that indecision itself becomes a cost factor.

A look at the U.S. market highlights both the vulnerability of open economies and their capacity to adapt. German manufacturers largely serve the U.S. market through local production; at the same time, exports from Germany have declined in recent years, also in the context of trade policy measures. The conclusion is clear: open markets remain a core industrial policy interest. Protectionism ultimately weakens all parties involved. At the same time, strategically smart de-risking is required – that is, the targeted diversification of sourcing and sales markets without recklessly severing established supply chains.

Trade policy must become a central pillar of Europe's competitiveness strategy. Trade agreements are the new foundation of our success. In a world of shifting geopolitical alliances and intensifying global competition, market access is not guaranteed – it must be actively secured. It is encouraging that progress has been made with India, a rapidly growing and strategically important market. At the same time, Europe cannot afford prolonged hesitation in other key dossiers. The timely conclusion and ratification of agreements – particularly with Mercosur – are essential. The world is not waiting for Europe. Swift, reliable trade partnerships create growth, strengthen supply chains, set global standards, and provide planning certainty for companies investing in Europe.

CLIMATE-NEUTRAL MOBILITY: SPEED YES-BUT WITH PREDICTABILITY

The direction is clear: the automotive industry is driving decarbonization forward with determination. In 2025, 1.67 million electric passenger cars were produced in Germany – more fully electric vehicles than ever before, an increase of 23 percent compared with the previous year. Around four out of ten passenger cars manufactured domestically were already electric. A further increase is expected for 2026, while the overall market is projected to recover only moderately to around 2.9 million new registrations.

This constellation shows that transformation is taking place – but under challenging market conditions. Demand stimulus, infrastructure expansion, and international competitiveness must therefore be considered together.

Climate policy targets must provide orientation without unnecessarily increasing investment risks. A regulatory approach that primarily relies on sanctions creates uncertainty and acceptance problems without automatically ensuring the practical prerequisites. Technology openness must not remain a buzzword; it must be reflected in funding schemes, crediting mechanisms, and regulatory flexibility.

Plug-in hybrids or range-extender concepts can serve as bridges where charging infrastructure is not yet widely available. Renewable fuels offer prospects for the existing fleet and for applications where electrification reaches technical or economic limits in the short term. What matters is a policy mix that enables innovation instead of slowing it down with ever new requirements – under clear and reliable investment conditions.

The greatest structural challenge remains infrastructure expansion. Without competitive electricity prices, rapid grid connections, comprehensive charging networks, and a reliable hydrogen supply, the ramp-up of low-emission mobility will be slowed – particularly in the commercial vehicle sector. In practice, the transition often fails not because of vehicle availability but due to insufficient grid capacities, lengthy approval processes, and high operating costs.

What is needed, therefore, is a coordinated infrastructure sprint: simplified procedures, clearly defined responsibilities, accelerated tenders, and long-term calculable energy prices. Anyone setting ambitious climate targets must also enable their implementation down to the last detail – from planning law to grid connection.

INNOVATION: GERMANY'S STRENGTH NEEDS ROOM TO GROW

The German automotive industry invests substantial amounts worldwide. Between 2026 and 2030, companies in the sector will invest around €320 billion in research and development and approximately €220 billion in capital expenditures, including plant modernization. At the same time, the share of funds invested outside Germany is increasing. This is not a sign of withdrawal, but an expression of global competition between locations: investments follow competitive cost structures, efficient procedures, and reliable regulation.

The industry's innovative strength is measurable. Its leading position underscores the technological leadership of the German automotive industry – in electric powertrains, software architectures, production technologies, and circular economy solutions.

This innovation potential can become a decisive locational advantage if new technologies are translated more quickly into market – ready products and business models. This requires regulatory freedom – particularly in digital and data policy.

Innovation only scales when interoperable data spaces, uniform standards, and reliable interfaces exist and when regulation is implemented coherently at the European level. Mario Draghi's report on competitiveness makes clear how strongly regulatory dynamics in Europe have increased: between 2019 and 2024, around 13,000 legal acts were adopted in the EU-significantly more than in the United States.

If competitiveness is to be the guiding principle of European policy, procedures must be simplified, duplicative rules eliminated, and implementation deadlines designed realistically. Regulation should enable innovation, not delay it.

LEADERSHIP AND TRUST: REFORMS REQUIRE A NEW CULTURE OF DEBATE

The upcoming reforms are not an end in themselves. They are a prerequisite for permanently reconciling climate protection, economic strength, and social cohesion. This requires a culture of debate that takes arguments seriously, openly addresses goal conflicts, and balances solutions pragmatically.

The philosopher Hans-Georg Gadamer pointed out that genuine dialogue presupposes granting the other person the possibility of being right. This attitude is not a sign of weakness but of democratic maturity. It enables society to carry complex transformation processes together.

Specifically, this means ensuring internationally competitive energy prices, including a critical review of grid fees, taxes, and levies. Investments must be significantly accelerated, for example through digital approval procedures, binding deadlines, and a consistent reduction of unnecessary reporting obligations. Technology openness must be reliably safeguarded, relying on market-based incentives rather than additional detailed requirements. Europe should be strategically strengthened, particularly through a deeper single market and swift trade agreements. In addition, resilient raw material partnerships are needed to secure value creation and supply security over the long term.

CONCLUSION

Industry is ready. It is investing, transforming, and innovating. Now it is up to policymakers to shape the framework conditions so that this momentum can unfold its full impact in Germany and Europe. The direction is right. What matters is to sustainably combine speed, reliability, and competitiveness.

2026