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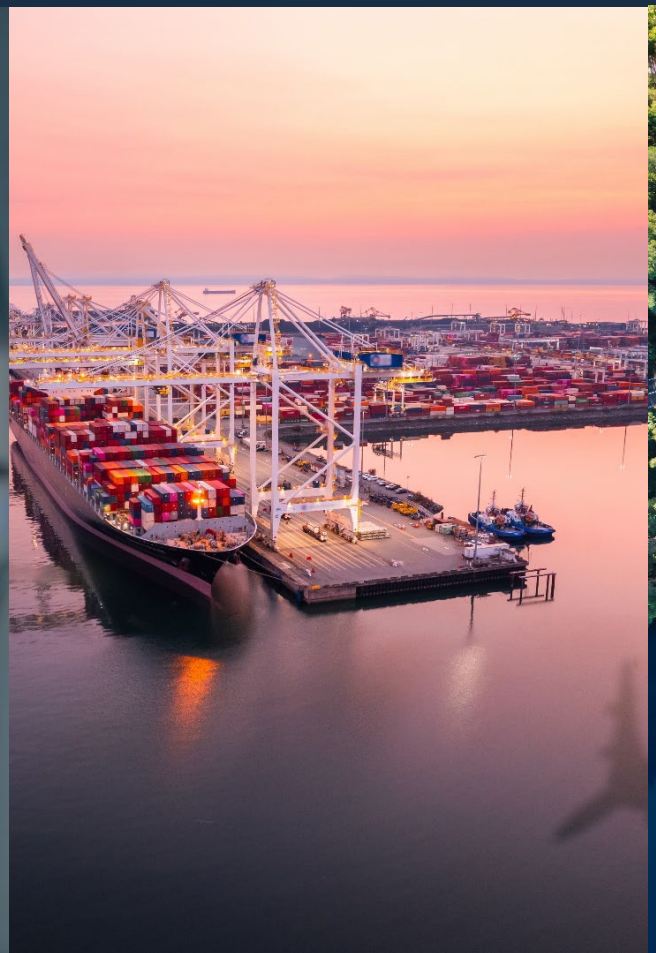
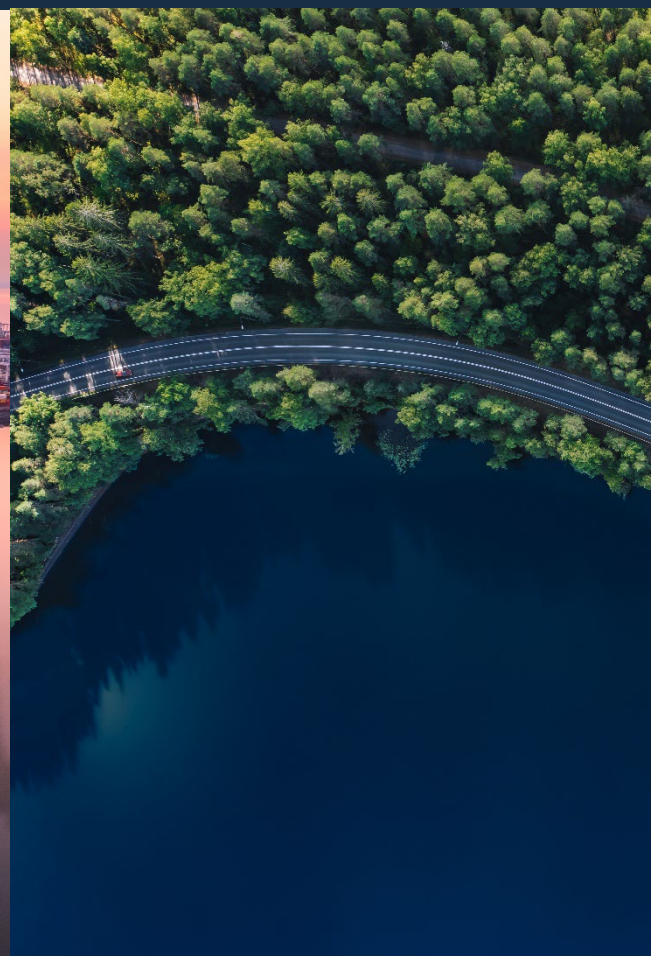
SHAPING 2026
ENERGY · INFRASTRUCTURE · TRANSPORT



FOREWORD

Change across the energy, infrastructure and transport sectors will continue to shape the economic landscape in 2026, both in Germany and on a global scale.

The energy transition is entering a phase where questions concerning security of supply, flexible generation, system integration and upgrades to the power grid are becoming even more crucial.

At the same time, the modernisation of critical infrastructure is gaining momentum, particularly in the areas of digital networks, data centres and energy-intensive industries where demands on capacity, controllability and resilience are driving transformation.

Looking at public infrastructure, the need for combined public and private investment is key. 2026 will see the kick-off of various public support schemes which might be enablers for substantial project developments involving various private sector entities. Regulatory changes in 2026 will be key to advancing smart meters, district heating decarbonisation, hydrogen backbone and CO2 transport infrastructure, all driven by demand-side improvements.

Recent developments in the transport sector also highlight the pace of change across all modes of mobility. Sustainable aviation fuels ("SAFs") are advancing from pilot projects to broader market adoption, whilst financing models in the maritime industry continue to evolve in response to regulatory pressures, decarbonisation targets and the need for fleet modernisation.

As a result, strategic market priorities are shifting. Investment is increasingly directed towards projects with cross-sector impact. This ranges from future-proof infrastructure and sustainable fuels in the transport sector to offshore and maritime developments closely linked to the energy transition. The emphasis is now on integrating evolving systems rather than individual technology.

This report outlines additional emerging trends that are set to shape the market across sectors in 2026 and beyond, particularly from an employment law perspective and in terms of dispute resolution.

With this outlook, we aim to provide both direction and fresh perspectives for the year ahead to market participants preparing decisions, planning investments or forging new partnerships.

Please reach out to us if you have any questions or would like to discuss any of these developments in more detail.

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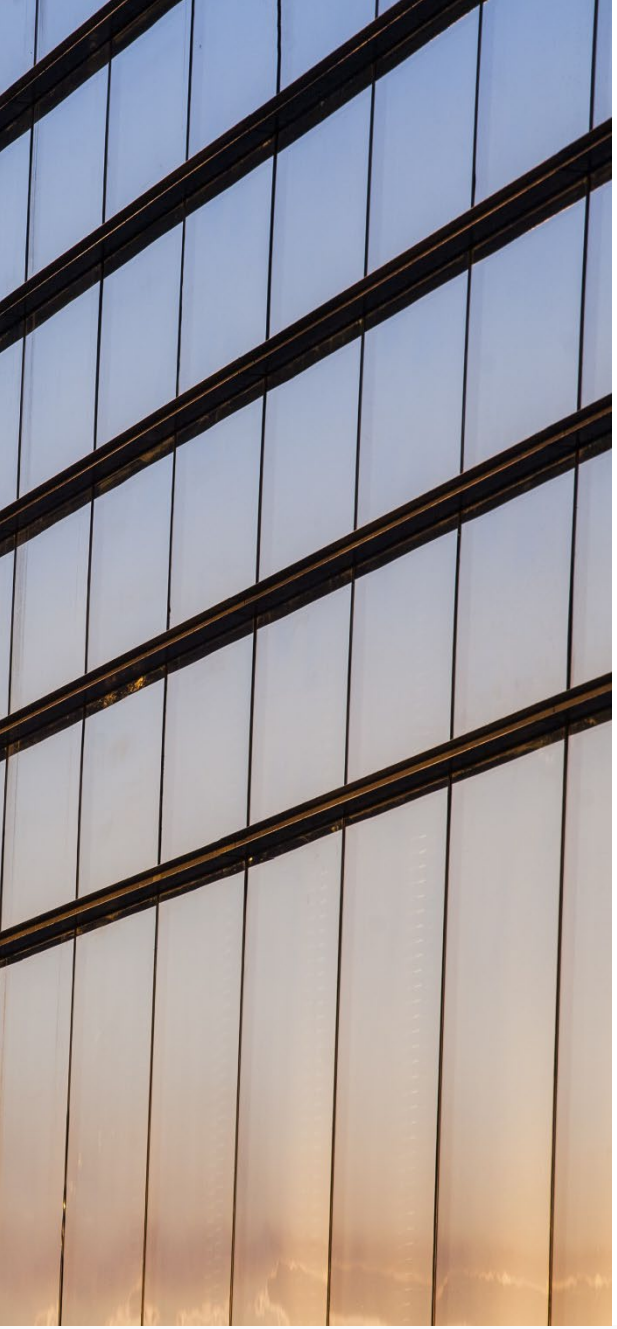

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ENERGY

IN GERMANY

Germany's energy sector faces a paradigm shift in 2026 as its energy transition moves beyond renewables to balance climate neutrality, security and affordability. Flexibility will become ever more important, driven by storage, smart grids and market-based solutions. Massive investment needs, regulatory resets and new technology – from CCS to BESS – will reshape strategies and risks in a maturing market. Financing this transition is the decisive factor, with capital flows and innovative funding models set to determine the pace and success of Germany's energy future. For investors, success hinges on agility and foresight in an increasingly complex energy ecosystem.

ENERGY TRANSITION 2.0

For quite some time, the key underlying paradigm of the energy transition in Germany was to measure success primarily by one metric: how much of the annual energy consumption was sourced from climate neutral sources (typically, in Germany, renewable energy). Whilst the statistics on this are arguably already impressive (with renewable energy, on average, providing around 56% of power demand 2025), the prevailing perception was that there is no room for complacency, especially given the projected development of future power demand following the expected further electrification of the housing (e.g. heat pumps) and transportation (e.g. e-mobility) sectors and in light of expected growth in the energy-intense AI business.

THE SUCCESSES OF THE ENERGY TRANSITION NEED TO BE MEASURED MORE HOLISTICALLY, LOOKING AT FLEXIBILITY OF SUPPLY AND DEMAND.

As of late, this paradigm has been called into question on a number of different levels, most prominently (and importantly) in a paper published by the German Federal Ministry for Economic Affairs and Energy ("BMWE") in September 2025, suggesting that:

- the energy transition will have to serve a triad of equally important objectives, placing reliability of supply and affordability on an equal footing with climate neutrality;
- the successes of the energy transition need to be measured more holistically, looking at flexibility of supply and demand as well as overall system integration and grid stability;
- the energy transition needs to be based on realistic projections of future energy demand;
- a new pragmatism with respect to carbon capture and storage technology; and
- a strong focus on market-based solutions as opposed to an ever more fine-tuned regulatory framework.

References made in public discourse in Germany referring to 'Energy Transition 2.0' in late 2025/early 2026 are likely referencing this attempted shift.

WHILST THE BMWE PAPER HAS ATTRACTED SOME CRITICISM, IT WILL, FOR ALL PRACTICAL INTENTS AND PURPOSES, BE THE MAIN SOURCE OF GUIDANCE FOR DECISION-MAKERS.

Early 2025 saw the election of a new federal parliament and government in Germany. From an energy perspective, the most notable change was that the Green Party is no longer part of the government, which arguably facilitated the paradigm shift discussed above. Whilst the agreement between the now ruling coalition of Christian Democrats and Social Democrats only provided superficial guidance on future policy making in the energy sector (see article series Germany's 2025 Coalition Agreement), the paper now published by the BMWE offers a clearer picture of the direction policy making is expected to take. Whilst it has attracted some criticism, it will, for all practical intents and purposes, be the main source of guidance for decision-makers.

Affordability

The BMWE Paper begins by acknowledging past renewable energy successes whilst warning that Germany is now at a crossroads and needs to reassess its options, especially when it comes to keeping energy affordable. Renewable energy, the BMWE Paper goes on to argue, does not come for free. Rather, its relatively inflexible (and intermittent) production, issues concerning grid stability as well as system integration all imply costs forming part of the equation too. Underlying all of this is a concern around keeping Germany attractive to the sectors making up its industrial backbone – often energy-intense production and manufacturing industries – and to secure internationally competitive energy prices for such industries.

Is flex the new green?

A second theme of the BMWE Paper is that renewable energy may increasingly be hitting diminishing returns when it comes to increasing installed capacity. Already, given the relatively inflexible production of renewables, the number of hours during which spot market prices for power are negative has increased significantly due to production exceeding demand. This issue will only further increase with the continued roll-out of renewables production capacity.

At the same time, the fleet of onshore wind farms in Germany is already very dense and the average quality of available sites (in terms of expected energy yields) decreasing. This begs the question of whether there are low(er) hanging fruit compared to focussing all efforts on further increasing the growth rate of installed renewable capacity? The BMWE Paper sees potential in investing in technology allowing for further flexibility of supply and demand, such as battery storage and smart grid assets, thus making better use of existing installed renewable energy capacity.

Another aspect of flexibility are grid stability services. The BMWE Paper repeats the German government's previously voiced plans (see article CCGT as a Transitional Solution: Germany's Strategy for Grid Stability) to build new CCGT capacity specifically designed to provide grid stability services. The details of such tenders and their related market design (e.g. a capacity market) are currently being discussed by the German government and EU Commission, with the first tenders expected in 2026 (for details see next chapter 'Is flex the new green').

More market, less regulation

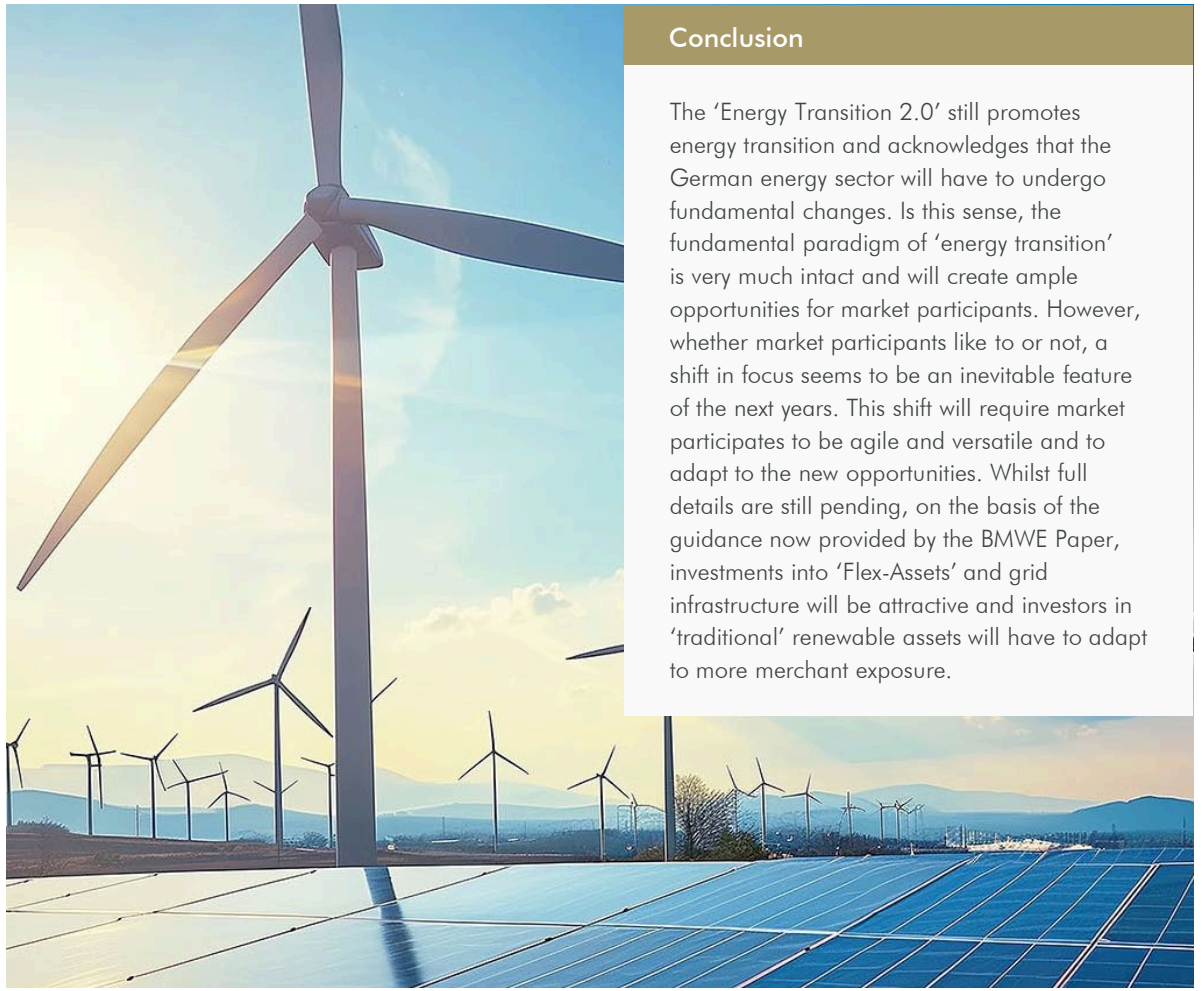
The BMWE Paper bemoans the allegedly over-regulated environment of the German energy sector, preventing technological innovation and investment (e.g. an unnecessary focus on over-taxonomising hydrogen) and leading to commercially unjustified incentives (such as feed-in-tariffs for small scale PV rooftop projects, which the German government wants to abolish). Generally, the BMWE Paper favours an approach whereby certain incentives are set by policy (such as a carbon price to incrementally reduce carbon footprint), but otherwise let the market decide which solution/technology is best suited to operate within such incentive structures (allowing, for example, for competition between carbon-emission-avoiding technology and carbon capture/storage technology). Specifically for renewables, the BMWE Paper advocates for bi-directional CfDs - i.e. contracts for difference which do not allow market participants to subsequently unilaterally benefit from better market conditions.

THE FUNDAMENTAL PARADIGM OF 'ENERGY TRANSITION' IS VERY MUCH INTACT AND WILL CREATE AMPLE OPPORTUNITIES FOR MARKET PARTICIPANTS.

Future demand

Whilst the above is fairly uncontroversial – with the possible exception of the exact demand for new CCGT capacity, with some arguing that the goal of 20 GW is inflated and that grid stability services can also be procured by other technologies, such as BESS – arguably the most controversial paradigm shift relates to projected future energy demand. Whilst the German government is bound by EU legislation's net zero goals (typically expressed as a percentage of total demand having to be sourced from climate neutral sources by a specific date), it obviously remains entitled to form its own view as to how future demand will develop, thus also setting the pace of future roll-out of renewables.

In this context, the BMWE Paper expects demand in 2030 to be at the lower end of current projections of 600 to 700 TWh, likely on the back of Germany's currently stagnating economy. Specifically, the BMWE Paper anticipates an adjustment (i.e. decrease) of the goals for installed offshore wind capacity. This reasoning has attracted numerous criticisms, arguing that in arriving at these projections, the government likely assumed a reduced degree of electrification of other sectors (such as the housing or transportation sector), thereby indirectly promoting other political aims, such as protecting the automotive industry.



Conclusion

The 'Energy Transition 2.0' still promotes energy transition and acknowledges that the German energy sector will have to undergo fundamental changes. Is this sense, the fundamental paradigm of 'energy transition' is very much intact and will create ample opportunities for market participants. However, whether market participants like to or not, a shift in focus seems to be an inevitable feature of the next years. This shift will require market participates to be agile and versatile and to adapt to the new opportunities. Whilst full details are still pending, on the basis of the guidance now provided by the BMWE Paper, investments into 'Flex-Assets' and grid infrastructure will be attractive and investors in 'traditional' renewable assets will have to adapt to more merchant exposure.

IS FLEX THE NEW GREEN?

For more than a decade, the political and regulatory narrative of the energy transition has focussed on building more renewables. Wind turbines and photovoltaic installations have become indispensable pillars of a climate-neutral energy system. In its energy transition, Germany has made huge steps forward, particularly in renewable electricity generation. In 2025, around 56% of the electricity generated in Germany and fed into the grid came from renewable sources. By 2030, according to the target of the Federal Government (*Bundesregierung*), at least 80% of electricity should be generated from renewable sources.

FLEXIBILITY IS A SYSTEM THAT CAN BE DELIVERED THROUGH A VARIETY OF MECHANISMS AND CAN COME FROM THE SUPPLY SIDE, THE DEMAND SIDE OR THE GRID ITSELF.

Limitations of a "build-only"-strategy

The energy transition cannot succeed through renewables expansion alone. Wind and solar are inherently variable and dependent on weather conditions. Furthermore, electricity grids were originally designed for controllable and centralised generation. The result is a growing mismatch between when electricity is produced and when it is needed. Across Europe, GW-hours of renewable electricity are curtailed each year because the grid simply cannot absorb them.

Flexibility – the missing link

Therefore, the next decisive step is not just more renewable electricity generation. Instead, flexibility has emerged as a second highly important pillar in implementing the energy transition.

But what does this mean? In its 2024 Electricity Market Design Reform, the EU defined flexibility as the ability of an electricity system to adjust to the variability of generation and consumption patterns and to grid availability across relevant market timeframes.

Flexibility is obviously not a single technology. It is a system property that can be delivered through a variety of mechanisms and can come from the supply side, demand side or the grid itself. Under the right conditions, flexibility enables the intelligent management of electricity supply and demand, relieves the burden on the grid and strengthens the integration of renewable energy.

FLEXIBILITY IS IS AN ENABLER AND INDISPENSABLE PARTNER OF GREEN ENERGY.

Growing awareness

The EU is increasingly recognising the importance of flexibility in its strategic documents as a central pillar of energy policy and market design. The EU's Electricity Market Design reform places flexibility at its core, whilst the Draghi-report, officially titled 'The future of European competitiveness – A competitiveness strategy for Europe', emphasises its role in competitiveness and market integration.

A shift towards flexibility

All this demonstrates that the energy transition must and already is entering a second phase. Initially a question of quantity, it has shifted to a more nuanced understanding of how effectively an energy system can integrate renewables. Thus, flexibility is probably not the new green but rather its enabler and indispensable partner. Therefore, we expect a similar investment dynamic as we saw and still see in renewable electricity generation.

BESS BOOM

IS IT SUSTAINABLE?

Regarding the development of new projects, Germany's battery energy storage system ("BESS") market has experienced an extraordinary surge over the past two years. Driven by volatile power prices, attractive ancillary service revenues and the progressing build out of renewables, developers have announced projects at a scale unprecedented in the German power system. However, despite the impressive headline numbers, it is increasingly evident that a substantial share of the current project pipeline will never reach commissioning. Regulatory tightening, spatial constraints and, above all, grid connection bottlenecks are reshaping the market from rapid expansion to selective realisation.

REGULATORY TIGHTENING, SPATIAL CONSTRAINTS AND, ABOVE ALL, GRID CONNECTION BOTTLENECKS ARE RESHAPING THE MARKET FROM RAPID EXPANSION TO SELECTIVE REALISATION.

A boom that will not fully materialise

The scale of the recent BESS boom is best illustrated by grid connection statistics. In 2024 alone, grid operators received almost 10,000 grid connection requests for large scale batteries at medium- and high voltage levels. These requests amounted to roughly 400 GW of power capacity and more than 660 GWh of energy capacity – a figure that dwarfs Germany's existing large scale BESS fleet of around 2-3 GW.

Even when accounting for the acceleration in approvals – around 25 GW of connection commitments issued in 2024 – the discrepancy between requested and realistically buildable capacity is striking. Many applications reflect optionality rather than firm investment intent. Site control, permitting status, financing and equipment procurement are often unclear at the time of application. As a result, pipeline volumes significantly overstate the capacity that will ultimately be delivered to the system.

Regulatory reset: from volume to viability

After a phase of permissive frameworks and legal uncertainty, Germany is now entering a regulatory reset for BESS. Recent changes in both grid connection economics and planning law pursue a common objective: reducing speculative applications and prioritising mature, system-relevant projects.

One element of this reset lies in the growing relevance of Baukostenzuschüsse ("BKZ") and related grid connection costs.

The Federal German High court (*Bundesgerichtshof)* has decided that grid operators are entitled to request BKZ from BESS project developers. In practice DSOs and TSOs request down payments on BESS projects already at an early stage of the project. BKZ payments and connection-related charges therefore act as a financial filter, forcing developers to demonstrate commitment early in the process. This applies even more so given that down-payments are only refundable if certain requirements are met.

For projects with aggressive sizing assumptions, weak revenue visibility or unsecured sites, these costs can materially undermine business cases. Although applied on a formally non-discriminatory basis, the economic signal is clear: only projects with a credible development and financing path are likely to progress.

In parallel, grid operators and industry stakeholders are increasingly questioning the long-standing 'first come, first served' principle for grid access. Discussions are moving toward a 'first ready, first served' approach, in which queue position depends on demonstrated project maturity – such as land rights, permitting milestones or financial close – rather than filing speed alone.

If implemented by either legislation via a change to the applicable regulatory framework or TSOs/DSOs by agreeing to and subsequently applying a common approach with the backing of the Federal Network Agency, this shift represents a structural break from past practice and could significantly reduce speculative queue-blocking.

The second component of the regulatory reset concerns planning law in so-called 'outskirt areas' (*Außenbereich*). With the reform of Section 35 of the German Building Code (*Baugesetzbuch*), batteries are now explicitly addressed in the Federal Building Code, though under a considerably tougher and more differentiated framework than initially expected. BESS projects are privileged only when they either form a spatial-functional unit with existing renewables generation or meet strict siting criteria as standalone assets, including proximity to substations or power plants and maximum caps on land usage within a municipality. This results in a situation which may effectively be worse for many BESS projects compared to the uncertain status prior to the changes. For pure merchant batteries in greenfield outskirt locations, development flexibility has therefore materially decreased.

Here as well, the intent is evident: legislators aim to limit application volumes, steer projects toward system-relevant locations and re-establish planning control at a local level. Projects unable to demonstrate a clear technical, spatial and systemic rationale are increasingly filtered out before reaching the permitting stage.

FOR DEVELOPERS AND INVESTORS ABLE TO ADAPT TO THE NEW REGULATORY AND GRID REALITIES, GERMANY REMAINS ONE OF EUROPE'S MOST ATTRACTIVE LONG TERM BESS MARKETS – ALBEIT NO LONGER AN UNCONSTRAINED ONE.

Grid connection bottlenecks as the dominant constraint

Despite these regulatory adjustments, the grid connection bottleneck remains the most decisive constraint on near-term BESS deployment. Total battery grid connection requests across transmission and distribution networks are now widely estimated to exceed 500 GW, far above what the power system can absorb in the medium term. This stands in stark contrast to Germany's current peak demand of roughly 75-80 GW.

In some grid areas, effective connection timelines extend well into the late 2020s, undermining project bankability and increasing attrition rates across the pipeline. This adds to broader concerns as BESS projects are only exempt from paying grid fees if commissioning occurred on or before 3 August 2029 at the latest. When a project can no longer use this exemption due to late commissioning, this has a material impact on the underlying financial model.

Outlook: fewer projects, higher quality

Taken together, these developments mark a clear inflection point for BESS in Germany. The next phase of the market will be characterised by fewer, but better-located and more mature projects.

Batteries co-located with renewables projects, assets near substations and projects that can demonstrate grid-friendly operation and development readiness will dominate future commissioning statistics.

Whilst the headline boom of the past two years will not fully translate into built capacity, this recalibration is not a negative signal. Instead, it reflects a maturing market moving from opportunistic volume to system-compatible deployment. However, Germany will remain an attractive market for projects which are able to overcome the hurdles. German electricity prices are expected to remain volatile, the grid will require storage capacity given the continued growth of (volatile) renewable energy production and the regulatory framework is in general supportive of BESS (e.g. with the permission to stack revenues and the allowance of multi-use concepts). In addition, the German electricity market may see the introduction of capacity market elements which could be beneficial for BESS. For developers and investors able to adapt to the new regulatory and grid realities, Germany remains one of Europe's most attractive long term BESS markets – albeit no longer an unconstrained one.

FOLLOW THE MONEY

FINANCING GERMANY'S ENERGY TRANSITION

Germany's energy transition is entering a decisive phase with investment needs estimated at over €13tn by 2050. Private capital, institutional investors and public funds must cooperate with financial institutions and banks to bridge the gap between ambition and execution.

Capital flows and policy signals

The German government has set the tone with its €500bn infrastructure fund, of which €100bn is earmarked for climate and energy transition projects. This fund, channelled through the Climate and Transformation Fund, will support grid expansion, hydrogen development and renewables deployment. Municipal utilities – facing a €350bn funding gap for regional decarbonisation – are expected to benefit from blended finance models combining public guarantees and private capital. In addition to the infrastructure fund, the German government also recently implemented a Germany Fund (*Deutschlandfonds*), which will be coordinated by the KfW.

The fund will provide around €30bn in public capital and guarantees, aiming to mobilise a total of approximately €130bn in private and corporate investments, including financing of grid infrastructure and geothermal projects.

Yet public money alone will not suffice. Private capital is increasingly stepping in, with infrastructure funds and private equity targeting wind, solar and storage assets. Risk-sharing mechanisms, such as the €1.2bn programme by the European Investment Bank and Commerzbank for municipal projects, illustrate how structured finance can unlock local investment capacity.

PUBLIC MONEY ALONE WILL NOT SUFFICE. PRIVATE CAPITAL IS INCREASINGLY STEPPING IN, WITH INFRASTRUCTURE FUNDS AND PRIVATE EQUITY TARGETING WIND, SOLAR AND STORAGE ASSETS.

Municipal utilities: closing the local funding gap

Germany's municipal utilities (*Stadtwerke*) are pivotal in delivering decentralised energy solutions, yet they face steep upfront costs for heating network decarbonisation and renewables integration. The Germany Fund seeks to mobilise private capital across eligible sectors, including municipal energy infrastructure. Risk-sharing structures and green bonds are expected to play a growing role, offering institutional investors exposure to stable, long-duration assets with ESG credentials.

BESS-to-Infra-Gap

BESS projects have been one of the booming asset classes in Germany in 2025. But, for BESS to reach its full potential, a key challenge must be tackled, the 'BESS-to-Infra-Gap'. To tap into the huge potential of infrastructure funds (and, indirectly, the financial markets), the highly volatile production and monetisation profile of a stand-alone battery needs to be flattened, providing the stability and certainty of cash flows that infrastructure investors and banks typically require under their investment remits. 2025 saw the emergence of several optimisation providers (providing services for revenue-optimised marketing of BESS assets) as well as tolling providers. Whilst, broadly speaking, optimisation providers seek to maximise revenues by optimising a BESS asset's play on the various components of the revenue-stack (for receiving a certain share of the profits/revenues generated), tolling providers offer a fixed fee for having access to all profits/revenues generated by the operation of the BESS. Between these two models, several combinations are possible, allowing for bespoke ratios of contracted vs. merchant revenues, e.g. optimisation with a floor payment structure, partial tolling or a combination of optimisation with financial tolling.

Whilst these models have, in principle, already been tested in more mature BESS markets such as the UK, their full adaptation to the German regulatory environment is ongoing. In addition to flattening cash-flows, the balance sheet strength of route-to-market structures is key. Whilst some optimisation service providers have a tech-start-up background, more traditional players such as trading desks of incumbent utilities will also seek to secure their market share in 2026.

Grid and infrastructure: the hidden cost driver

No discussion of financing the energy transition is complete without addressing grid expansion. Bottlenecks between the wind-rich north and industrial south threaten project economics, making investment in high-voltage corridors and smart grids essential. It is therefore positive to see that the German government is also focussing on grid infrastructure with the implementation of the Germany Fund. In addition, the government's €6.5bn subsidy for grid fees in 2026 aims to ease cost pressure on consumers and industry, but long-term solutions require sustained capital inflows into transmission and distribution networks. For investors, regulated returns on grid assets offer a stable, utility-like profile, being attractive in a volatile market environment.

Conclusion: financing the transition requires innovation

The financial architecture of Germany's energy transition is evolving rapidly. Traditional subsidy-driven models are giving way to market-based instruments, PPAs, CfDs and capacity markets, whilst flexibility assets such as storage and grid infrastructure demand new financing concepts. For investors, 2026 is not just about deploying capital; it is about structuring deals in the right way to balance risk and achieve the best possible returns.

Those businesses that are able to bring together financial innovation with strategic foresight to leverage hybrid portfolios (including public funding), manage merchant risk and establish partnerships with industrial offtakers, will be best positioned to take advantage of the opportunities the energy transition offers. In short: follow the money and you will find the future of Germany's energy transition.

OUTLOOK FOR RENEWABLES

GERMANY'S RENEWABLE ENERGY LANDSCAPE IN 2026

Germany enters 2026 at a pivotal moment in its energy transition. The commitment to climate neutrality by 2045 remains firm, yet the approach is shifting from pure capacity growth to a more balanced paradigm – combining sustainability, affordability and security of supply. This evolution is reflected in recent policies, which call for realistic demand forecasts, market-based support schemes, more flexible generation, system integration and a technology-neutral capacity market.

Against this backdrop, renewables – particularly onshore wind, offshore wind and solar – continue to play a significant role in Germany's investment landscape. These asset classes offer strong opportunities but also present systemic risks as challenges grow. This section explores the 2026 outlook for these technologies, shaped by policy signals, market dynamics and innovation.

A market defined by scale and momentum

Renewables have become an important pillar of Germany's power system. By late 2025, almost 56% of electricity demand was met by wind and solar. Installed capacity reached around 218 GW and is expected to grow by over 12% annually, approaching 387 GW by 2030 – all driven by targets of 80% renewable electricity and near-complete decarbonisation of the sector.

Yet the focus is no longer on capacity growth alone. The next phase of the energy transition requires systems integration – aligning intermittent generation with grid stability – as well as competitiveness and affordability. This adds complexity for market participants, especially across the three core renewable asset classes.

THE NEXT PHASE OF THE ENERGY TRANSITION REQUIRES SYSTEM INTEGRATION – ALIGNING INTERMITTENT GENERATION WITH GRID STABILITY – AS WELL AS COMPETITIVENESS AND AFFORDABILITY.

Onshore wind

Onshore wind remains Germany's most significant source of renewable technology, accounting for roughly 24% of gross power production in 2025. Yet the sector's growth strategy is evolving. Rather than greenfield development alone, repowering – replacing ageing turbines with fewer, more powerful machines – is emerging as the most efficient route to scale. Between 2025 and 2030, Germany is expected to add nearly 38 GW of onshore wind capacity, much of it through repowering projects that optimise land use and boost output.

This trend offers clear opportunities: higher yields, better technology and simpler permitting after recent streamlining. Yet risks remain. Grid congestion and negative pricing – already more common as renewables penetration grows – could undermine revenue certainty. With the Renewable Energy Sources Act (*Erneuerbare-Energien-Gesetz*, "EEG") regime still dominant, the gradual move to market-based tools like PPAs creates financing challenges, especially in less wind-rich areas.

Offshore wind

Offshore wind has long been a focal point for Germany's ambition to scale up its energy transition. Ever bigger project sizes combined with ample space have fueled hopes. Yet, in early 2026, the offshore wind sector in Germany is facing serious challenges, ranging from supply chain issues (which are particularly strongly felt in capex-intense industries), uncertainties around grid connection, the arguably too dense spatial planning to a tender design that seems unattractive in light of such challenges. As a result, the 2025 offshore tender for pre-surveyed sites did not yield any bids, resulting in calls to postpone the 2026 tenders to allow for a thorough revision of the tender design process, with most market participants favouring the introduction of contracts for difference ("CfDs").

Whilst much will depend on whether 2026 sees a re-design of the offshore wind tender rules, the existing offshore wind farms frequently yield further opportunity for investment. Changing risk profiles due to projects transitioning from regulated to contracted (or even merchant) revenue streams or transitioning from OEM-based O&M models to independent ones may attract new investors whilst incumbent stakeholders may wish to use the adjusted risk-reward-profile to divest.

Solar

Solar photovoltaic ("PV") capacity surged to nearly 117 GW by the end of 2025, driven by record annual additions of 16 GW and widespread adoption across residential, commercial and utility-scale segments. Germany's target of 215 GW by 2030 underscores the technology's pivotal role in the energy mix. Falling module costs, improved efficiency and supportive policies for rooftop and community solar continue to fuel growth.

However, PV's success also brings systemic challenges. High midday output increasingly causes curtailment and negative prices, underscoring the need for flexibility, storage and demand-side management.

THE OUTLOOK FOR RENEWABLES IN GERMANY IS BROADLY POSITIVE BUT NUANCED.

Opportunities and risks in 2026

Several opportunities, such as CfDs and capacity markets, are directly linked to the push for market-based instruments and technology neutrality. The outlook for renewables in Germany is broadly positive but nuanced.

Opportunities:

- strong policy commitment and binding climate targets;
- advances in turbine efficiency and solar PV;
- rising corporate demand for green PPAs, especially in the energy-intense industries;
- significant capital access, including €100bn from Germany's infrastructure fund for climate projects; and
- legislative efforts to improve investment landscape, e.g. gradual decrease of corporate income tax rate (15% to 10% from 2028 to 2032) and possibility for accelerated (declining balance) depreciation of assets potentially improving project IRRs.

Risks:

- grid bottlenecks and higher integration costs;
- revenue volatility from negative pricing and market design changes;
- supply chain and inflation pressures; and
- uncertainty around support schemes and CfD implementation.

Conclusion: a market at the crossroads

Germany's renewable energy sector in 2026 offers a compelling investment landscape, driven by scale, innovation and structural necessity. Yet success depends on more than capacity growth. Market participants must adapt to a shift towards flexibility, integration and market-based mechanisms.

For investors, 2026 is the year to align portfolios with a maturing renewable ecosystem, where opportunity and risk go hand in hand. Those combining technological expertise with strategic foresight will capture the most value.

The energy transition remains intact, but its next chapter demands pragmatism and precision.

THE ENERGY TRANSITION REMAINS INTACT BUT ITS NEXT CHAPTER DEMANDS PRAGMATISM AND PRECISION.

INFRASTRUCTURE

IN GERMANY

Germany's infrastructure is expected to enter a decisive phase of modernisation in 2026, driven by long delayed digital and transport upgrades. A large number of German motor-way bridges need immediate improvements to avoid a network breakdown. Digital infrastructure will continue to expand, with broader 5G coverage and early groundwork commencing for the completion of nation-wide fibre networks. And with a hydrogen backbone as well as carbon capture and transport facilities planned, Germany has a long list of infrastructure investment needs and corresponding opportunities.

GERMAN INFRASTRUCTRURE

NEED FOR LONG TERM INVESTMENT

Germany's infrastructure is at a pivotal moment. Across almost all sectors, local and regional authorities face significant modernisation and financing needs. Social infrastructure, transportation networks and defence capabilities are under increasing pressure, whilst the transition to climate neutrality requires substantial additional investment.

Germany's additional investment requirements for the coming years are substantial:

- transport infrastructure: approx. €127bn;
- climate protection and energy transition: approx. €200bn; and
- education infrastructure: approx. €42bn.

2026 HAS THE POTENTIAL TO BECOME THE STARTING YEAR FOR A NEW GENERATION OF PRIVATE INVESTMENTS INTO GERMAN INFRASTRUCTURE.

Mobilising these sums will require a continued openness to private investment. First-loss mechanisms, where the state assumes initial losses in the event of project underperformance, are increasingly recognised as a powerful tool for improving risk-adjusted returns and unlocking further private capital.

When paired with transparent regulation and long-term partnership models, infrastructure investments are set to become a central pillar of sustainable value creation and a key driver of stable returns. For investors looking to help shape Germany's future infrastructure landscape, 2026 represents an inflection point; one that offers strategic relevance, resilience and long-term opportunities.

Additional public funds to boost infrastructure investments

To accelerate this transformation, in 2025, the German government established an additional budget of €500bn called the 'Special Infrastructure Fund' (Sondervermögen Infrastruktur), a strong signal of political commitment to and a catalyst for essential energy and infrastructure projects. Germany will take up €500bn of public debt dedicated to public investments in infrastructure and climate protection.

We expect key activity in the public sector to begin in 2026 with the implementation of relevant laws at a national level to distribute the additional budget to individual states, regions and municipalities. This will, of course, be the first step in a longer process. Planning and permitting procedures will take several years to be completed before a wave of projects hits the market. In recent years, there has been a shortage of planning capacity, resulting in substantial prolongation of project preparation. We expect this hurdle to remain in place in 2026 and beyond.

On a mid-term basis, the additional €500bn will accelerate activities in the German infrastructure sector and mobilise private funds as this unprecedented allocation of public funds only covers a fraction of the long-term capital required.

Private capital will therefore play a decisive role in bridging this gap, creating new strategic scope for municipalities and compelling opportunities for investors seeking resilient, yield-generating assets.

There are several reasons for this.

Firstly, infrastructure is the backbone of both economic productivity and societal well-being. Any weakening of this foundation jeopardises long-term competitiveness. At the same time, the transition towards a climate-neutral energy system is non-negotiable and requires significant investment.

Looking ahead, the investment landscape presents a unique opportunity in the form of projects of high public relevance paired with attractive risk-return profiles. Infrastructure has long been considered a stable, countercyclical and yield-strong asset class, particularly suited for investors seeking predictability during periods of economic uncertainty.

This said, 2026 has the potential to become the starting year for a new generation of private investment into German infrastructure.

Leveraging public funds

The additional budget of the 'Special Infrastructure Fund' provides private investors with a powerful lever. In many cases, public authorities cover only a small proportion of overall project costs, with the majority financed through private capital. This model offers several strategic advantages:

- risk minimisation: government co-financing enhances planning reliability and lowers default risk;
- regulatory certainty: publicly endorsed, policy-aligned projects benefit from clear frameworks and long-term visibility;
- stable cash flows: infrastructure assets typically generate predictable, long-duration income streams;
- ESG leadership: engagement in sustainable transformation projects strengthens positioning under evolving ESG criteria; and
- portfolio diversification: crisis-resilient and less volatile than many traditional asset classes.

Public-private partnerships – unlocking transport potential

Public-private partnership ("PPP") structures have evolved into flexible, efficient and investment-friendly models that enable tailor-made legal and economic frameworks. They are essential for mobilising the scale of capital required for Germany's next development phase.

Various cooperation models between the public sector and private investors create powerful opportunities across multiple industries. Proven examples include transport projects, such as road and bridge expansions, and energy and heating infrastructure.

In many cases, the public entity retains ownership of the infrastructure and assumes operational responsibilities, whilst the private investor is responsible for planning, construction and financing. In return the investor receives secure, long-term compensation under clearly defined agreements.

Other models go even further and allow the private investor to expand and operate the infrastructure independently generating revenue directly from the end users.

For municipalities, these partnerships ease the financial burden whilst investors gain access to high-quality projects with strong growth potential.

PPP STRUCTURES HAVE EVOLVED INTO FLEXIBLE, EFFICIENT AND INVESTMENT-FRIENDLY MODELS THAT ENABLE TAILOR-MADE LEGAL AND ECONOMIC FRAMEWORKS.

A critical enabler for expanding PPP pipelines in transport – especially for bridge renovations – is the proposal to grant Autobahn GmbH creditworthiness. Currently, the company is restricted by constitutional rules and cannot raise its own funds, which creates a major bottleneck for large-scale projects. Allowing independent borrowing would reduce reliance on annual budgets, accelerate PPP structures, and create long-term planning security. For investors, this translates into earlier access to high-quality transport projects under stable frameworks and predictable returns.

We expect 2026 to be the year when fundamental decisions on the future financing of German transport infrastructure – particularly the motorways – will be made, unless the political situation deteriorates, preventing the government from implementing the necessary legal framework changes. However, any activity by Autobahn GmbH in the relevant capital markets may require amendments to several federal laws governing its entitlements. Given the current political climate in Germany, this represents a significant hurdle for the innovative financing approaches currently under discussion. . A potential workaround could be the granting of shareholder loans to Autobahn GmbH, enabling it to follow long term strategies on the basis of corresponding funds.

In focus: Germany Fund (*Deutschlandfonds*) – indirect leverage for private capital

The Germany Fund, introduced in December 2025 through a joint initiative by the German federal government and KfW, has become a cornerstone of Germany's new investment strategy. It serves as an umbrella framework, consolidating several financing instruments under one overarching structure to accelerate transformation in key sectors.

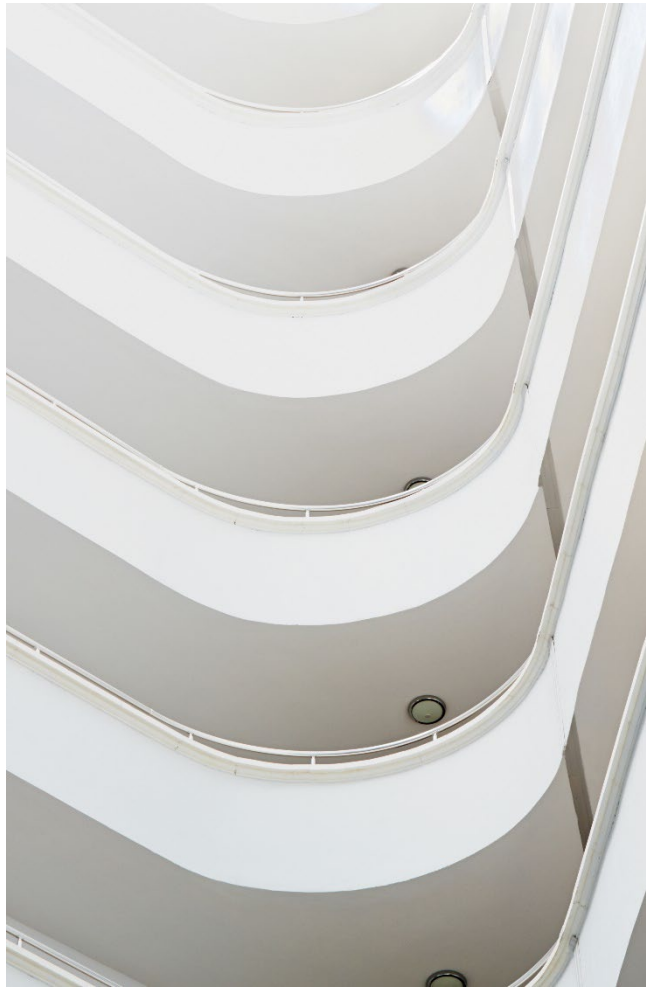
Its purpose is clear: to mobilise private capital for strategic investments in areas such as energy infrastructure, industry, the Mittelstand and venture capital for start-ups and scale-ups. These include major, forward-looking projects such as the expansion of renewable energy, heat and power networks, raw material extraction and innovative technology in deep tech, AI and biotech, as well as solutions to strengthen Germany's defence capabilities.

Unlike conventional investment vehicles, the Germany Fund does not offer direct stakes to institutional investors. Instead, it acts as a state-backed catalyst, channelling public resources into selected projects and creating strong incentives for private co-investment. This mechanism uses risk-sharing tools such as guarantees, blended finance structures and first-loss provisions. In the event of underperformance, the state absorbs initial losses. This significantly improves the risk-return profile for private investors.

The scale of the initiative reflects its ambition: the federal government is providing around €30bn in public funds and guarantees with the aim of triggering total investments of around €130bn. This leverage effect is intended to free up capital for Germany's energy transition and industrial modernisation.

Several components of the Germany Fund are already operational. A dedicated commodities fund offers industry and Mittelstand players equity and credit financing for projects securing critical raw materials, such as lithium extraction in Germany. In the energy sector, new instruments will support electricity and heat network operators in financing their rapidly increasing investment needs. One flagship example is the geothermal financing programme, which addresses one of the most pressing challenges in the heat transition: the high risk of unsuccessful drilling.

Under this programme, KfW provides loans of up to €25m per geothermal project, with a maximum term of five years. Applications for preliminary review can already be submitted. To mitigate the exploration risk (risk of finding no viable resource), up to 100% of the loan amount can be secured. Munich Re covers 30–70% of the risk and KfW grants partial debt relief for the remaining portion in case of failure. This combination of concessional financing and risk coverage is widely regarded as a breakthrough for the development of deep geothermal energy in Germany.



WILL 2026 BRING A TURNAROUND? AT LEAST THE REGULATORY FRAMEWORK HAS BEEN AMENDED TO SUPPORT THE SMART-METER ROLLOUT.

Another pillar focusses on start-ups and scale-ups. Through KfW Capital, the Germany Fund now acts as a co-investor alongside venture capital funds, providing up to €50m per investment and a total of €1bn until 2030. An additional €300m has been set aside for participation in credit funds that support novel industrial technology. From 2026 onwards, the Zukunftsfonds, as part of the Germany Fund, will be expanded and institutionalised to strengthen venture capital financing for innovative sectors.

The first instruments – industrial risk mitigation, geothermal financing and co-investment for start-ups – are already in place, with further funds scheduled to launch in 2026. The Germany Fund offers investors access to government-backed projects with long-term visibility, strong ESG credentials and attractive yield profiles, whilst reducing exposure to project-specific risks. By combining public guarantees with private capital, Germany aims to unlock transformative investments on a large scale and establish itself as a leader in sustainable industrial and energy innovation.

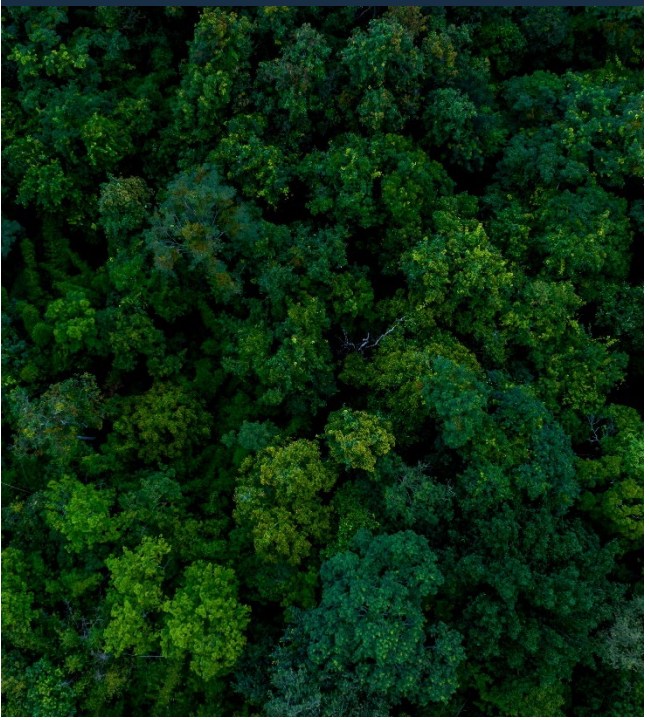
Smart-meter-rollout – a (mega) trend for 2026?
Many international investors are confused as to why Germany is lagging behind in terms of smart meter technology. Smart meters are essential for various activities in the energy sector, flexible tariffs, prosumers, self-generation and storage, all require smart meters as core infrastructure and their integration into electricity grids. However, by mid-2025, the rollout was modest, with around 760,000 smart metering systems installed in mandatory cases, covering approximately 16.4% of the relevant metering points. Will 2026 bring a turnaround? At least the regulatory framework has been amended to support the smart-meter rollout.

Recent legislation has transformed the rollout into a smart-grid initiative, mandating control functionality alongside measurement. Increased price caps and integrated service tariffs provide planning certainty, whilst real-time data access and new market roles open additional business opportunities in flexibility management and digital platforms.

For investors, this potentially creates sustained demand through 2032 and attractive prospects in hardware, software and data-driven energy services. However, recently, uncertainty came up again, as the German Federal Minster for Economic Affairs and Energy published a statement questioning the role of service providers in the field of smart meter operation. It remains to be seen whether Q1 2026 brings more clarity in this regard.

RESILIENT INFRASTRUCTURE

BUILDING THE BACKBONE FOR A SUSTAINABLE FUTURE



Resilient infrastructure is emerging as a strategic priority for governments, businesses and investors worldwide. As geopolitical and climate risks grow, as well as digital dependency, resilience is no longer optional, it is mandatory. It may also be seen as a competitive advantage. Organisations that look ahead, integrate resilience into planning, leverage technology and align with sustainability goals will be best positioned to thrive in an increasingly uncertain world.

THE RELEVANCE OF RESILIENT INFRASTRUCTURE WILL REMAIN IMPORTANT AS BOTH GLOBAL SUPPLY CHAINS AND DEPENDENCIES AND PERCEIVED THREATS HAVE INTENSIFIED OVER THE YEARS.

The concept of resilient infrastructure

Resilient infrastructure refers to systems and assets designed to withstand, adapt to and recover from disruptions such as natural disasters, climate change, economic shocks and, perhaps most pertinently today, cyberthreats or even physical attacks. It spans diverse infrastructure, including transport networks, energy infrastructure such as grids, water systems and fuel, as well as digital infrastructure. Resilience emphasises protection from threats as well as flexibility, redundancy and adaptability, ensuring continuity of services under stress.

Opportunities and challenges

The relevance of resilient infrastructure will remain important as both global supply chains and dependencies and perceived threats have intensified over the years. For governments, imposing rules for making critical infrastructure resilient means safeguarding public welfare and economic stability. For private players – construction firms, technology providers and investors – it creates opportunities for innovation and long-term value creation.

Challenges include high upfront costs, fragmented regulations, long permitting processes and the complexity of integrating resilience into legacy systems. Yet, the impact is transformative: resilient infrastructure reduces downtime, mitigates financial losses and enhances trust among stakeholders.

Trends and emerging approaches

Several trends are shaping the future of resilience:

- digitalisation and smart systems: IoT sensors, predictive analytics and AI-driven monitoring enable real-time risk assessment and proactive maintenance;
- decentralised energy supply: renewable energy combined with battery storage and models such as local energy sharing increase energy security;
- e-fuels as a substitute for fossil fuels: creating decentralised production facilities for e-fuels to avoid depending on fuel imports from third countries in a crisis scenario. This is particularly crucial for the defence industry;
- nature-based solutions: green infrastructure offers sustainable alternatives to traditional engineering;
- PPPs: collaborative financing models are gaining traction to bridge funding gaps and accelerate implementation; and
- climate adaptation standards: global frameworks like ISO 14090 dealing with adaptation to climate change are influencing operational practices.

Lawmakers are taking a proactive stance on infrastructure resilience. For example, the EU has enacted the Critical Entities Resilience (CER) Directive ("CER Directive"), which entered into force in January 2023. This legislation requires Member States to adopt national strategies, conduct regular risk assessments and identify critical entities. The EU Commission has recently published guidance for identifying critical entities across the 11 essential sectors covered by the CER Directive, including energy, transport, health and digital infrastructure. 17 July 2026 marks an important date under the CER Directive: by this date, Member States must identify 'critical entities' across the relevant sectors. Critical entities must implement technical, security and organisational measures to withstand natural hazards, cyberattacks and other disruptions within ten months from having been notified of their classification as critical entities.

LAWMAKERS ARE TAKING A PROACTIVE STANCE ON INFRASTRUCTURE RESILIENCE.

The CER Directive also promotes cross-border cooperation and harmonised standards, ensuring that resilience becomes a core requirement for both public and private operators. Complementary frameworks such as NIS2 (cybersecurity) and DORA (digital operational resilience for financial services) reinforce this integrated approach, making resilience a legal and strategic obligation across the EU.

Public funding will continue to play a pivotal role in accelerating the development of resilient infrastructure across Europe. In addition to support that may be available at the national level, the EU has established several major instruments to support this transition. Public funding not only de-risks large-scale projects, it also creates opportunities for private investors through blended finance models and other mechanisms. For example, the European Commission recently issued the Sustainable Transport Investment Plan ("STIP"), under which a double-sided auction system will be introduced to stimulate the market particularly for e-fuels. For market participants, understanding these programmes and aligning projects with their priorities – such as climate neutrality and digital resilience – will remain critical to securing financial support and staying competitive.

Preparing for future opportunities

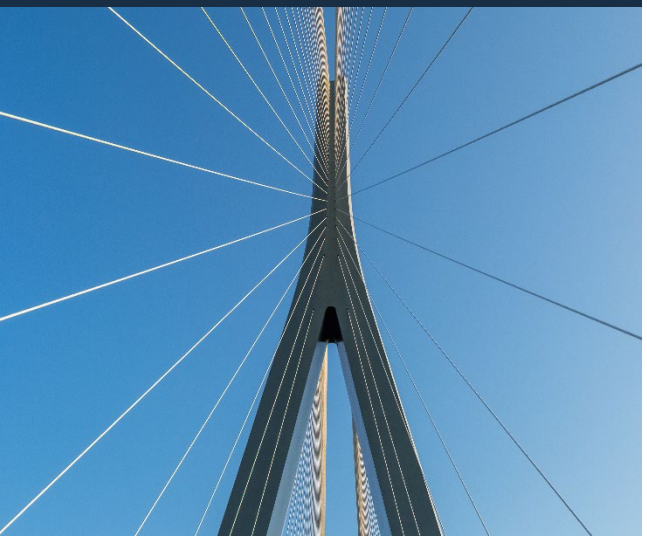
The outlook for resilient infrastructure is promising. As climate-related events, geopolitical and cyber threats escalate, resilience will become a non-negotiable criterion for investment and policy. Market participants should:

- monitor the frequently evolving regulatory landscape: stay informed to ensure compliance and position their organisation to anticipate future requirements relating to resilience;
- embed resilience in planning and operation: integrate risk assessments early in project design;
- take advantage of public funding: check for national and international support programmes and implement their requirements. For example, future auctions for support for renewable energy production may require resilience criteria for funding, based on the EU's Net-Zero Industry Act ("NZIA") and national implementations;
- leverage technology: adopt tools such as digital twins and AI for predictive resilience;
- collaborate across sectors: build ecosystems that combine engineering, finance and sustainability expertise; and
- align with ESG goals: position resilience as a driver of environmental and social impact, attracting responsible capital.

Conclusion

Resilient infrastructure is not just a technical necessity – it is a strategic imperative for competitiveness and sustainability. Those who act now will shape the future of cities, industries and economies.

NAVIGATING INFRASTRUCTURE OPPORTUNITIES IN 2026 IN A CHANGING REGULATORY LANDSCAPE



The expansion and modernisation of Germany's infrastructure has been a top priority for policymakers and business leaders in recent years and, in 2026, this focus will only intensify. Infrastructure is widely recognised as the backbone of a resilient economy and a key driver of the transition toward a sustainable, largely greenhouse gas-neutral future. In this context, three areas will be particularly critical: renewable energy, hydrogen and carbon capture and storage ("CCS"). These sectors are set to shape Germany's energy transition and create significant opportunities for investors and developers.

THE EXPANSION AND MODERNISATION OF GERMANY'S INFRASTRUCTURE HAS BEEN A TOP PRIORITY FOR POLICYMAKERS AND BUSINESS LEADERS IN RECENT YEARS AND IN 2026.

Why now?

Public perception has shifted: investments in energy, transport and digital infrastructure are seen as essential to maintaining Germany's competitiveness. For developers, investors and banks, this means economically attractive projects with strong political support. Many forward-looking infrastructure types — such as renewable energy, hydrogen and carbon infrastructure – are now, or will soon be, classified as being of 'overriding public interest'.

This designation accelerates permitting processes and reduces regulatory risks, creating unprecedented opportunities with improved cost, timing and risk parameters.

Political support for infrastructure expansion remains strong

The classification of strategic projects as being of overriding public interest is just one pillar of ongoing political backing. The 'Special Infrastructure Fund' (Sondervermögen Infrastruktur), totalling €500bn underscores Germany's commitment to transformative investment. The goal: mobilise billions in private capital alongside public funding. New PPPs will play a critical role in securing and scaling these investments. By 2026, this influx of capital – from federal, state and local authorities, as well as the Climate and Transformation Fund – will have a tangible impact across sectors such as energy and transport. For a detailed analysis of the Special Infrastructure Fund and its implications for private investors, as well as insights into evolving PPP structures and their strategic advantages, see *German Infrastructure – need for long term investment* earlier in this report.

To enable investment capital to flow more quickly into specific projects, the governing coalition agreed in December 2025 on the key points of a 'future infrastructure law' designed to increase the efficiency of planning and approval procedures for infrastructure projects.

Evolving regulatory frameworks shape business opportunities in infrastructure

The regulatory landscape remains highly dynamic. In late 2025, the coalition reaffirmed its commitment to ambitious tender volumes under the Renewable Energy Sources Act ("EEG") and emphasised the urgent need to expand grid infrastructure – a prerequisite for the continuing success of the energy transition. Synchronising renewable energy expansion with grid development will help prevent bottlenecks and reduce costs.

MANY FORWARD-LOOKING INFRASTRUCTURE TOPICS – SUCH AS RENEWABLE ENERGY, HYDROGEN AND CARBON INFRASTRUCTURE – ARE NOW, OR WILL SOON BE, CLASSIFIED AS BEING OF 'OVERRIDING PUBLIC INTEREST.

Industry voices are calling for reforms to grid connection rules, particularly for battery storage projects. Criteria such as grid suitability and project maturity may soon gain prominence. A draft bill from the Ministry of Economic Affairs aims to remove large battery storage systems ("BESS") from the scope of the Kraftwerks-Netzanschlussverordnung ("KraftNAV"). Whether, and in what form, further amendments to the Energy Industry Act ("EnWG") or KraftNAV will materialise in 2026 remains uncertain, but the draft bill as well as the recent and partial reversal of BESS as privileged projects in areas defined as 'outskirt areas' under planning law illustrate the sector's fast-moving and highly dynamic regulatory environment.

Looking ahead, the redesign of renewable energy support schemes will be pivotal. Both EU state aid law and the Internal Electricity Market Directive require significant adjustments. Current indications suggest that bilateral Carbon Contracts for Difference ("CCfDs") will become the preferred mechanism from January 2027 onwards at the latest – an important development for investors planning long-term renewable projects.

Building the hydrogen economy

Hydrogen remains a cornerstone of industrial transformation, particularly for energy-intensive industries. Whilst it may no longer dominate headlines, its role in decarbonising energy-intensive industries is undisputed. The construction of Germany's hydrogen core network is underway and will accelerate in 2026. The Act to Accelerate Hydrogen Availability is in the legislative process, aiming to streamline approvals whilst granting overriding public interest status to hydrogen infrastructure and electrolysers. For investors, this translates into shorter timelines and reduced regulatory hurdles.

Carbon infrastructure and emerging trends

There are many other business areas in the infrastructure sector that will become more relevant in 2026. In addition to digital infrastructure (see our related article on *Emerging dynamics in Germany's digital infrastructure*), these include the (re)construction of industrial and commercial energy hubs that enable decentralised energy supply and use with integrated concepts for energy generation, consumption and storage, as well as the start of carbon dioxide storage and utilisation for commercial purposes.

Carbon capture and storage ("CCS") and carbon capture and utilisation ("CCU") are gaining traction. The comprehensive reform of the Carbon Dioxide Storage and Transport Act ends years of uncertainty, establishing a clear legal framework for industrial-scale CO_2 storage and transport. Offshore storage will be prioritised, but federal states may opt in to designate suitable onshore areas. For sectors with hard-to-abate emissions, CCS and CCU offer a viable path to climate neutrality – though investments require long lead times, making early action critical (for details read our article *The new German Carbon Dioxide Storage and Transport Act).*

2026 IS SHAPING UP TO BE A LANDMARK YEAR FOR INFRASTRUCTURE INVESTMENT, SERVING NOT ONLY ECONOMIC PURPOSES BUT ALSO MAKING THE COUNTRY MORE COMPETITIVE, SUSTAINABLE AND RESILIENT.

Strategic takeaway

2026 is shaping up to be a landmark year for infrastructure investment, serving not only economic purposes but also making the country more competitive, sustainable and resilient. Those who understand the evolving regulatory environment and act strategically will be best positioned to seize these opportunities. For a broader perspective on infrastructure investment trends, including the Germany Fund initiative and smart-meter rollout, see our related article '*German Infrastructure – need for long term investments*'.

EMERGING DYNAMICS IN GERMANY'S DIGITAL INFRASTRUCTURE

DATA CENTRES, FIBRE NETWORKS AND MOBILE BROADBAND

Germany's digital infrastructure is entering a new phase where data centres, fibre networks and mobile broadband form an integrated ecosystem. Growing demand for capacity and resilient performance drives investment in energy-efficient data centres, speeding-up the nationwide fibre rollout and advanced mobile connectivity. Energy availability, grid access and sustainability increasingly shape deployment and investment decisions. At the same time, M&A, platform consolidation and collaborative models such as joint ventures and network sharing are growing in importance to achieve scale and reduce costs. Evolving regulation and rising infrastructure needs point to a more coordinated expansion across the sector in 2026.

EVOLVING REGULATION AND RISING INFRASTRUCTURE NEEDS POINT TO A MORE COORDINATED EXPANSION ACROSS THE SECTOR IN 2026.

Data centres: navigating growth amid energy and innovation challenges

Germany stands at the forefront of Europe's digital transformation. As artificial intelligence ("AI"), cloud services and data-driven innovation accelerate, the role of data centres as critical infrastructure has never been more vital. These facilities underpin everything from financial transactions and healthcare research to government services and industrial automation. In 2026, the German data centre market faces a dual imperative: meeting surging demand whilst ensuring sustainability and resilience. With over 1.3 GW of installed capacity and Frankfurt alone already surpassing the 1 GW mark, Germany remains Europe's largest data centre market. Yet, the sector's ability to scale hinges on overcoming energy constraints and regulatory complexity.

The stakes are high for operators, investors and policymakers. Demand for wholesale co-location and hyperscale solutions continues to drive growth, though retail co-location remains a stable segment. AI workloads – particularly inference – are expected to fuel additional capacity requirements, even as training clusters remain concentrated in select regions. However, the most pressing challenge is energy availability. Grid bottlenecks threaten to delay projects by up to seven years, according to recent industry reports. This constraint coincides with rising competition for grid access from renewable energy projects and battery storage systems.

For stakeholders, these dynamics translate into both opportunity and risk. Operators must balance speed-to-market with compliance to stringent energy efficiency and sustainability mandates, such as Germany's Energy Efficiency Act, which requires data centres to source 100% renewable energy by 2027. Meanwhile, municipalities and energy providers are under pressure to modernise infrastructure and streamline permitting processes. Failure to act decisively could jeopardise Germany's ambition to remain a hub for AI and cloud innovation.

Development directions and possible actions

Several trends are shaping the strategic response to these challenges:

1. **modular and on-site energy solutions:** the industry is increasingly decoupling capacity expansion from grid timelines. Prefabricated modular data centres combined with local power generation – such as gas turbines prepared for hydrogen – are emerging as pragmatic solutions. These approaches reduce dependency on overstretched public grids and enable rapid deployment, cutting project timelines by up to two years;
2. **integration of sustainability and circular economy principles:** beyond compliance, sustainability is becoming a competitive differentiator. Operators are investing in advanced cooling technology, such as direct-to-chip liquid cooling, to manage high-density AI workloads efficiently. Waste heat (Abwärme) recovery is gaining traction, with projects in Frankfurt and Berlin already supplying heat to thousands of households. Circular design principles, including recyclable components in modular systems, further reinforce ESG commitments;
3. **expansion beyond core markets:** though Frankfurt remains the epicentre, secondary markets like Berlin and Munich are growing rapidly, driven by latency requirements and data sovereignty concerns. Coastal regions in northern Germany are also attracting attention due to access to renewable energy, natural cooling advantages and lower land costs. These locations offer strategic alternatives to congested urban hubs; and
4. **digital sovereignty and regulatory engagement:** the launch of initiatives such as AWS's European Sovereign Cloud underscores the geopolitical dimension of data infrastructure. Operators must navigate evolving regulations on energy efficiency, emissions and data governance. Active engagement with policymakers – both at EU and national levels – will be critical to shaping frameworks that support innovation without stifling growth.

> IN AN ERA WHERE EVERY KILOWATT-HOUR COUNTS, GERMANY'S DATA CENTRE SECTOR MUST LEAD WITH INNOVATION, SUSTAINABILITY AND RESILIENCE.

Future focus: driving data centre expansion through innovation

Looking ahead to 2026, the German data centre industry is poised for robust expansion, with forecasts indicating a compound annual growth rate exceeding 18% in core markets through 2027. Yet, this growth will not be linear. Success will depend on the sector's ability to innovate across three dimensions:

- **energy strategy:** embrace hybrid models combining grid power, on-site generation and storage solutions to ensure resilience and cost efficiency;
- **technological adaptation:** invest in advanced cooling, AI-driven operational management and modular architectures to meet escalating performance demands; and
- **collaborative ecosystems:** foster partnerships among operators, utilities, municipalities and technology providers to accelerate grid upgrades, enable heat reuse and streamline permitting.

For market participants, the message is clear: agility and foresight are paramount. Those who act now – by securing strategic sites, integrating renewable energy and adopting scalable designs – will not only capture immediate opportunities but also shape the future of Europe's digital economy. In an era where every kilowatt-hour counts, Germany's data centre sector must lead with innovation, sustainability and resilience.

For further details, please refer to the recording of our recent webinar Powering Data Centres – Energy & Legal Perspectives.

Building the future of fibre: why cooperation and partnership matter

The fibre-optic market in Germany is undergoing a profound transformation. As digitalisation accelerates and demand for high-speed connectivity surges, network operators face mounting pressure to expand infrastructure efficiently. Yet, the economics of fibre deployment are challenging – business cases are under strain, costs are rising and competitive dynamics often lead to redundant builds. Against this backdrop, cooperation and strategic partnerships have emerged as essential tools for success.

Looking ahead to 2026, cooperation will remain a defining feature of the fibre landscape. Operators and investors need to consider how evolving market conditions – rising interest rates, regulatory adjustments, and persistent cost pressures – will shape partnership models. Whilst cooperation agreements have become standard practice, the next phase will likely demand even more innovative joint venture to unlock capital and accelerate rollout.

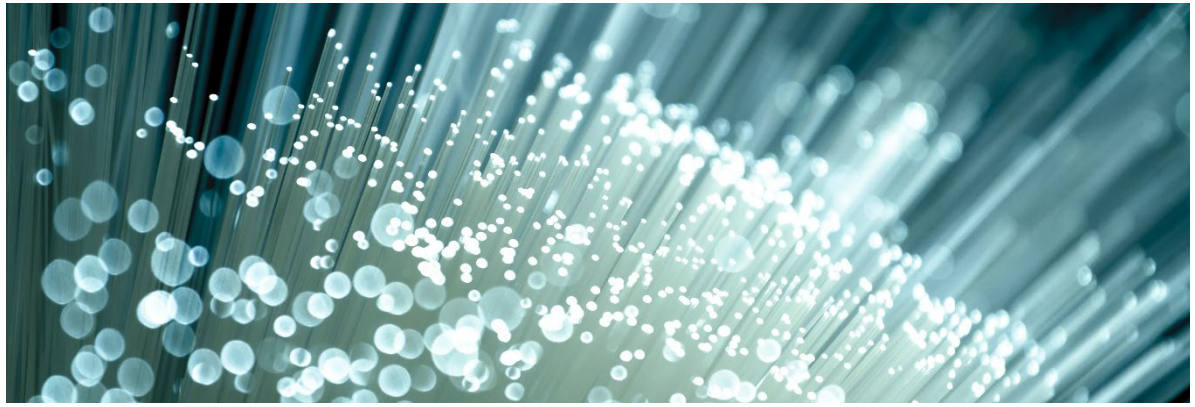
Why collaboration is on the rise

today, collaboration is no longer the exception – it is the norm. Industry data shows that nine out of ten network operators have already entered into one or more partnerships. The rationale is clear: joint efforts help maximise network utilisation, reduce duplication and share costs. By pooling resources, operators can accelerate rollout timelines while mitigating financial risk. This approach is particularly relevant in regions where overlapping investments would otherwise erode returns.

THE QUESTION FOR 2026 AND BEYOND IS NOT WHETHER TO COOPERATE, BUT HOW TO STRUCTURE PARTNERSHIPS THAT DELIVER RESILIENCE AND LONG-TERM VALUE.

Investment pressures and market realities

Despite strong demand, fibre projects face significant headwinds. Delays in achieving coverage targets – whether homes passed over, connected or activated – are common. Even where targets are met, cost overruns can undermine profitability. Low penetration rates on newly built networks, persistent competition from copper-based DSL and cable systems and bottlenecks in last-mile deployment (NE4) compound the challenge. These factors often trigger the need for refinancing, whether through equity raises by private operators or debt rounds with banks.



For municipal utilities, the choice frequently lies between selling assets outright or inviting investors to participate in future expansion.

Models for cooperation and investment

The market offers a spectrum of partnership structures, each tailored to specific strategic goals. At one end are agreements between passive network operators, granting reciprocal access without transferring ownership. More complex models involve selling passive infrastructure to an investor via an asset deal, followed by leasing arrangements with one or more active operators. Alternatively, investors may acquire a stake in an AssetCo that owns and leases the network, sharing governance with the original operator. These structures not only unlock capital for further build-out but also align interests across stakeholders, fostering long-term stability. For further details please refer to our recent webinar The Future of Municipal Infrastructure – Cooperation, Partnerships and Investments in Fibre Optic Networks.

The strategic imperative

For operators and investors alike, partnerships are more than financial arrangements: they are strategic enablers. They allow market participants to navigate regulatory complexity, optimise capital allocation and deliver on the promise of ubiquitous fibre connectivity. As competition intensifies and the costs, grow collaboration will remain a cornerstone of the industry's evolution. The question for 2026 and beyond is not whether to cooperate, but how to structure partnerships that deliver resilience and long-term value.

Accelerating connectivity: Germany's strategic push for mobile broadband infrastructure

In the race to digitise its economy and bridge connectivity gaps, Germany is intensifying its efforts to expand mobile broadband infrastructure. Mobile broadband towers – once seen as technical installations – are now central to national policy, economic competitiveness and regional development. Recent legislative and regulatory shifts underscore the country's commitment to accelerating deployment, particularly in underserved areas. Looking ahead, mobile broadband infrastructure will remain a core policy priority, with further changes of the regulatory frameworks and market structures expected to shape the sector through 2026.

The mobile broadband sector is undergoing a transformation. With 5G coverage now reaching over 93% of Germany's territory, the focus is shifting from basic availability to performance, resilience and integration with industrial applications. The legal reclassification of mobile infrastructure as a matter of 'overriding public interest' marks a turning point: permitting processes are being streamlined and infrastructure rollouts are being prioritised over competing land-use interests.

This shift presents both opportunities and challenges. For network operators, it opens the door to faster deployment and reduced regulatory friction. However, the sector must also navigate bottlenecks – particularly around power grid connections and site access – which continue to delay implementation. Against this backdrop, a key question for 2026 will be how quickly these improved framework conditions can be translated into visible progress in rollout and network performance.

THE LEGAL RECLASSIFICATION OF MOBILE INFRASTRUCTURE AS A MATTER OF 'OVERRIDING PUBLIC INTEREST' MARKS A TURNING POINT: PERMITTING PROCESSES ARE BEING STREAMLINED AND INFRASTRUCTURE ROLLOUTS ARE BEING PRIORITISED OVER COMPETING LAND-USE INTERESTS.

Several trends are shaping the future of mobile broadband infrastructure in Germany:

- **legislative acceleration:** the federal government is examining measures to speed up the connection of mobile broadband towers to the electricity grid;
- **open RAN and new entrants:** the emergence of 1&1 as a fourth network operator, leveraging Open RAN technology, signals a shift toward more modular, software-driven networks that promise greater flexibility and vendor diversity;
- **regulatory scrutiny**: the Federal Cartel Office actively monitors market developments, as demonstrated by its investigation into possible discrimination in access to mobile tower sites. At the same time, legislators at EU and federal level are tightening IT security and data protection requirements, thereby emphasising the need for a resilient, transparent and trustworthy infrastructure; and
- **energy and sustainability:** with growing pressure to reduce emissions and improve energy efficiency, mobile network operators are exploring sustainable technology and smarter energy management.

Looking ahead, Germany's mobile broadband sector is poised for continued growth, but success will depend on strategic alignment across stakeholders. Network operators, investors, utilities and municipalities must work together to overcome infrastructure bottlenecks and unlock new deployment models. Legal frameworks are evolving to support this, though their execution will require agility and collaboration.

For market participants, the message is clear: mobile broadband infrastructure is no longer a niche concern, it is a strategic asset. Those who anticipate regulatory shifts, embrace shared models and invest in sustainable solutions will be best positioned to lead in the next phase of digital connectivity.

Strategic takeaway

For market participants, the message is clear: mobile broadband infrastructure is no longer a niche concern, it is a strategic asset.

TRANSPORT

IN GERMANY

The transport sector is entering a decisive phase of transformation, driven by regulatory change, technological innovation and evolving market dynamics. This chapter explores the key forces that will shape it in 2026, from sustainability targets and new financing models to advances in fleet strategies and alternative fuels. These developments are accelerating change across all modes of transport and creating both, challenges and opportunities for industry players. The message is clear - 2026 will be a year for action, in which early movers who commit to innovation and strategic investment will secure a competitive edge in a rapidly evolving market.

DECARBONISING EUROPEAN AVIATION

THE CENTRAL ROLE OF SAF

The aviation industry faces a critical challenge: reconciling growing air traffic with the urgent need to reduce greenhouse gas emissions. Aviation contributes approximately 2–3% of global CO_2 emissions and, without decisive action, this share will increase as demand for air travel rises. Whilst technology such as hydrogen-powered or electric aircraft are still years away from commercial viability, sustainable aviation fuels ("SAFs") offer an immediate and scalable solution. For the European Union ("EU"), SAF is not just an option – it is a strategic necessity.

By 2026, the SAF market is expected to move from pilot projects to early industrial scale-up, driven by final investment decisions and increased capital deployment. This timeline is critical to meet EU targets for 2030. As demand begins to outpace supply, early offtake agreements will become a key competitive advantage for airlines and investors, ensuring access to limited volumes and price stability.

Why SAF is central to EU climate goals

SAF is a 'drop-in' fuel that can be blended with conventional jet kerosene and used in existing aircraft engines without modification. This makes SAF the most practical short- to medium-term pathway for reducing aviation emissions.

SAF can be produced through two main pathways:

- BioSAF: derived from biogenic raw materials such as used cooking oil, fats and agricultural residues; and
- eSAF: produced synthetically using renewable electricity and hydrogen.

A key advantage of SAF lies in its significant potential to reduce greenhouse gas emissions. Compared to conventional jet fuel, eSAF can cut lifecycle CO_2 emissions by up to 90%.

While fossil-based kerosene emits approximately 11.9 kg of CO_2-equivalent per gallon, eSAF emissions can be as low as 0.6 to 2.0 kg CO_2e per gallon, depending on the production method. This makes eSAF even more effective than most bio-based SAFs, which typically achieve 60–80% reductions.

This positions SAF as a cornerstone of aviation decarbonisation, particularly for medium- and long-haul flights where alternative propulsion technologies remain out of reach.

Currently, BioSAF dominates the market, but its scalability is limited by feedstock availability and sustainability concerns. Large-scale biomass imports from third countries raise additional environmental and supply chain issues.

In contrast, eSAF – though still in early development – offers greater long-term potential. Estimates suggest it could meet up to 75% of global SAF demand by 2050. However, producing eSAF requires major investment in renewable energy and electrolysis infrastructure.

BY 2026, THE SAF MARKET IS EXPECTED TO MOVE FROM PILOT PROJECTS TO EARLY INDUSTRIAL SCALE-UP, DRIVEN BY FINAL INVESTMENT DECISIONS AND INCREASED CAPITAL DEPLOYMENT.

The ReFuelEU Aviation Regulation

Recognising SAF's potential, the EU introduced the ReFuelEU Aviation Regulation, mandating a progressive increase in SAF usage: starting at 2% in 2025, rising to 6% by 2030 and reaching 70% by 2050. These reflect the EU's commitment to climate neutrality and its recognition that aviation cannot wait for disruptive technology to mature.

SAF provides a bridge – a way to cut emissions whilst the industry works toward long-term solutions.

From 2026, the first commercial scale eSAF projects in Europe are expected to reach final investment decisions, supported by fast-track permitting and long-term offtake agreements. Early movers securing volume will be best positioned to avoid future supply constraints.

Investment outlook and opportunities

SAF is increasingly seen as a high-potential investment space, particularly for private equity investors seeking to combine long-term value creation with measurable climate impact. Strong regulatory momentum provides a stable policy environment and predictable demand signals. This reduces downside risk and enhances the bankability of SAF projects.

To fully unlock this potential, intelligent risk-sharing mechanisms – such as long-term offtake agreements, price stabilisation tools and supportive policy frameworks – remain essential, allowing SAF to represent both, a climate imperative and a compelling financial opportunity.

SAF PROVIDES A BRIDGE – A WAY TO CUT EMISSIONS WHILST THE INDUSTRY WORKS TOWARD LONG-TERM SOLUTIONS.

As SAF projects move towards being financed, market activity is expected to shift from observation to execution. This transition will distinguish committed stakeholders from those still assessing the space.

Economic and strategic implications

Analysts project that the global eSAF market alone could reach €250bn by 2050, creating 90,000 direct jobs and many more in related sectors. Europe is already leading the way, hosting 75% of the global eSAF project pipeline. For the EU, leadership in SAF technology and production supports climate goals and strengthens energy security and industrial competitiveness. By fostering innovation and scaling production, Europe can position itself as a global hub for sustainable aviation.

Conclusion: a call to action

SAF is indispensable for the EU's decarbonisation roadmap. Meeting the ambitious targets set by ReFuelEU requires coordinated action across regulators, industry players and investors. The challenge is immense – balancing sustainability, scalbility and affordability – but the alternative is untenable. Without SAF, aviation's path to net zero would be delayed by decades.

The importance of SAF in the EU cannot be overstated: it is the linchpin of a strategy that seeks to reconcile mobility with climate responsibility.

Recent EU initiatives further reinforce this urgency. The Sustainable Transport Investment Plan ("STIP"), launched by the European Commission, aims to mobilise over €100bn to meet the fuel demands of ReFuelEU Aviation and FuelEU Maritime. The eSAF Early Movers Coalition is expected to unlock at least €500m in private investment. These measures send a strong signal to the market and highlight SAF's central role in Europe's energy transition and industrial strategy.

As the SAF sector enters a new phase of early industrial scale-up, success will depend on early commitment, collaborative frameworks and the ability to turn ambition into execution.

FLEET STRATEGIES

RETROFIT VS NEWBUILD

Environmental regulations, particularly from the EU, have been keeping shipping companies on their toes for a few years now – and will continue to do so in 2026. Since 2024, the EU Emissions Trading System ("EU ETS") covers maritime emissions and sets a declining annual cap on total greenhouse gas emissions which shipping companies must adhere to. Similarly, FuelEU Maritime requires vessels over 5,000 gross tonnage (GT) calling EU ports to reduce lifecycle GHG intensity by 2% in 2025, scaling to 80% by 2050.

Together with other regulatory stipulations (e.g. IMO's EEXI/CII schemes and onshore power mandates from 2027 onward), these pressures present shipping companies with a critical challenge: What upgrades should be made to existing fleets to most efficiently comply with present and future regulatory requirements?

THE IMPORTANCE OF EVOLVING FLEETS AMIDST TIGHTENING REGULATORY DEMAND IS EVIDENT WHEN EXAMINING CURRENT MARKET TRENDS.

Retrofit vs newbuild: a performance & compliance trade-off

To most shipowners, this challenge comes down to retrofitting their existing fleet, for example with equipment like scrubbers, ballast water treatment systems and low sulphur fuel systems, or placing orders for vessel newbuilds that are already technically compliant with regulations.

Both strategies come with distinct advantages and disadvantages.

A key advantage of retrofitting existing vessels lies in its short-term cost efficiency. Estimated at around one tenth of the cost of a newbuild, modifications to an already operational ship offer a significantly lower upfront investment threshold. In addition, whilst vessel upgrades will lead to certain drydock downtime, the time it takes to make a vessel operationally compliant with environmental guidelines is only a fraction of the long lead times required for a vessel newbuild (currently estimated at around 2-3 years).

At the same time, a vessel's ability to be retrofitted may be held back by technical limitations. An old hull or design can only be upgraded so far, possibly restricting the vessel to be updated in full compliance with the regulatory specifications, especially those coming into force in the near future. The same applies to vessel tanks, which may face space issues preventing upgrades to dual- or even tri-fuel capabilities.

Vessel newbuildings on the other hand, whilst costly and entailing long lead times as well as a lengthy building process, are built with current and future regulations in mind. They thus offer substantial efficiency gains and long-term compliance from a regulatory point of view. Furthermore, newbuildings also give shipowners greater flexibly in shaping their fleet to meet demands or current market trends not necessarily connected with environmental regulations.

The ever-evolving market

The importance of evolving fleets amidst tightening regulatory demands is evident when examining current market trends.

Retrofitting is booming, with the global retrofit market projected to grow from US$6.2bn in 2024 to US$10.2bn by 2034. Energy-saving devices ("ESDs") and scrubbers deliver 3% to 10% fuel savings, with ROI in often under three years. Reports say that 1,500+ vessels have been fitted with ESDs by end-2024, a fourfold increase since 2020.

Meanwhile, newbuild orders hit their highest level since 2007, with 50% to 62% of tonnage alternative-fuel capable - mostly LNG, followed by methanol and ammonia.

Notably, Maersk has recently ordered 25 methanol-powered container ships, CMA CGM is investing in LNG dual-fuel vessels and NYK is exploring ammonia-ready bulk carriers. VLCC and Cape-size segments see 50% eco-rated newbuilds, whilst projections are that alternative-fuel vessels will represent ~23% of fleet capacity by 2030, up from 6% today.

THIS DUAL APPROACH WILL REMAIN ESSENTIAL IN 2026 AND BEYOND, AS ENVIRONMENTAL REGULATIONS CONTINUE TO EVOLVE – AND KEY INDUSTRY PLAYERS MUST CLOSELY MONITOR THESE DEVELOPMENTS TO KEEP THEIR STRATEGIES ALIGNED WITH COMPLIANCE AND COMPETITIVENESS.

Conclusion

The market does not have to chose between retrofit and newbuild - both are complementary. Retrofitting enables immediate compliance and cost savings, whilst newbuilds align with long-term decarbonisation goals. Shipowners are increasingly opting for a dual-path approach, balancing retrofit investments today with green fleet renewal tomorrow. This dual approach will remain essential in 2026 and beyond, as environmental regulations continue to evolve - and key industry players must closely monitor these developments to keep their strategies aligned with compliance and competitiveness.

SHIPPING IN THE OFFSHORE SPACE

A BILLION US-DOLLARS MARKET WITH GROWING DEMAND FOR SHIPS

The offshore wind space has developed into a billion-pound investment field in recent years and remains a key growth driver for new developments in the maritime industry.

Whilst current market conditions have slowed down the pace of development of new projects, operating existing wind farms and their requisite infrastructure ensures a stable and growing market, though with challenges. Behind every offshore project is a complex network of specialised vessels – from installation and service vessels to crew transfer vessels. This niche in the maritime space has developed both independently and dynamically.

INVESTMENT REQUIREMENTS AFFECT NOT ONLY NEWBUILDS, BUT ALSO CONVERSIONS AND TECHNICAL UPGRADES, MAKING THE MARKET FOR MARITIME SERVICE ASSETS A DYNAMIC AND STRATEGICALLY RELEVANT COMPONENT OF THE ENERGY TRANSITION.

Growing demand for specialised fleets

In 2024, the global offshore wind energy market was estimated at US$55.9bn (in terms of revenue) and is expected to continue growing at an average annual rate of over 14% in coming years. Within this ecosystem, the market for offshore service and support vessels is developing rapidly. In Europe alone, it is expected to grow from around US$7.3bn in 2024 to over US$12bn by 2033. The market for service operation vessels ("SOVs") is currently worth around US$2bn (in terms of revenue) and, according to analyses, is set to see double-digit annual growth until 2033. The installation vessel sector is also showing positive trends, with a projected increase from US$2.04bn (2024) to US$2.26bn (2025).

Investment pressure meets increasing complexity

These figures clearly demonstrate that the future of the offshore wind industry depends not only on the construction of new wind farms, but on the efficient maintenance and modernisation of existing facilities. Larger turbines, longer distances to sites and higher availability demands drive the need for powerful, fuel-efficient and technologically advanced vessels. Investment requirements, therefore, affect not only newbuilds, but also conversions and technical upgrades, making the market for maritime service assets a dynamic and strategically relevant component of the energy transition.

An additional driver is the growing demand for environmental and efficiency standards. Operators are increasingly investing in ships with hybrid propulsion systems or such systems that are fully independent of conventional fuel - e.g. methanol, ammonia, LNG and even full electric systems - to reduce emissions and meet ESG criteria. Consequently, the focus of newbuild and modernisation projects is increasingly shifting towards sustainable fleet strategies – a factor that also plays an important role in the conclusion of employment contracts and financing, as contractors of tonnage as well as financiers are setting high expectations for their tonnage providers and borrowers.

Stable course: why the service and fleet market continues to grow

Continuous demand despite project delays

Despite delays and some need for restructuring in certain offshore projects, the operation of existing wind farms remains a constant and growing business area. Global installed offshore wind power capacity has reached 83 GW and each turbine requires decades-long maintenance, inspection and logistical support. For operators, this means that service capacities must be secured for the long term, regardless of how quickly new farms are added to the market.

Demand for modern service concepts

As noted, wind farms move further away from the coast as availability and demand increases. And the need for larger, more efficient and technically better equipped vessels grows accordingly. SOVs and construction service operation vessels ("CSOVs") are in particularly high demand because they enable longer offshore operations and reduce the number of daily transfers. Current market analyses show significant expansion: numerous SOVs and CSOVs are in the planning or construction phase worldwide – a clear indication that investment is continuing to grow.

Predictable cash flows attract investors

The stable nature of service contracts also makes the sector attractive to financial investors. Operators are increasingly entering into long-term charter or maintenance contracts that secure predictable revenues for 8-15 years. For shipyards and shipping companies, this means less speculative new construction, more project-related financing and stable capacity utilisation. This structure has professionalised the market and forms the basis for the growing interest of institutional investors, particularly from the private equity and infrastructure sectors.

Financial investors explore offshore services as a stable asset class

Strategic focus on stable returns

Whilst traditional project developers struggle with rising costs and lengthy approval processes, institutional investors are increasingly turning their attention to segments of the offshore ecosystem that promise predictable returns. Service fleets, port logistics and specialised offshore service providers offer exactly that: long-term contracts, recurring revenues and a growing industrial base. This creates an attractive investment field for private equity and infrastructure funds, with manageable risk and solid growth potential.

Entry via specialised platforms

A particularly visible example is provided by Eurazeo, which invested around €70m in the MPC OSE Offshore platform via its transition infrastructure fund at the beginning of 2025. The platform, a joint venture between MPC Capital and O.S. Energy, was initiated to develop, build and operate service vessels specifically for use in offshore wind farms. The structure is typical of the new investor approach: platform development, operational scaling and long-term charter agreements that ensure stable returns.

Other funds have also discovered the market. In spring 2025, US investor Apollo acquired a majority stake in OEG Energy Group, an offshore service provider for energy infrastructure. RIVE Private Investment already invested in the Windward Offshore Project in 2024, which is building its own service fleet for the offshore wind industry. Eurazeo's Sustainable Maritime Infrastructure fund has also been active in this space. In 2022, it entered into a sale-and-leaseback transaction for the jack-up wind farm support vessel Thor, currently operating in the North Sea. More recently, in 2025, it agreed on a similar structure for the hybrid survey and ROV support vessel Geo Master, scheduled for delivery in early 2026 and designed to meet the latest fuel efficiency and emissions standards.

Such models show that capital is increasingly flowing not directly into wind farms, but into the surrounding maritime infrastructure.

Capital cycles and exit strategies

Private equity follows a clear logical path in this market: invest, consolidate, sell. This is illustrated by the example of Havfram, which was financed by Sandbrook Capital and PSP Investments in 2022 and sold to DEME Group in 2025 for around €900m. The exit confirms that value creation also takes place outside of traditional energy production, through the development of efficient structures, fleets and service capacities.

This points to a trend: whilst banks and project financiers are acting more cautiously when it comes to new construction, private equity is specifically filling the gap where stable cash flows and industrial scaling converge. In the maritime industry, this creates opportunities for new partnerships, financing models and expansion.

Maritime perspectives in a challenging market

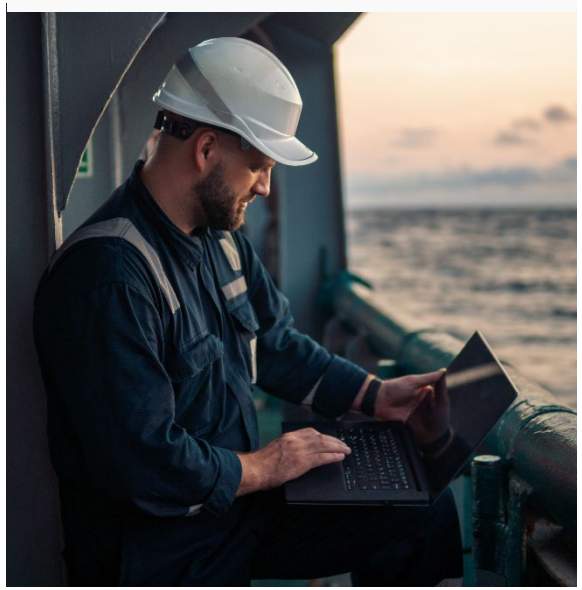
The maritime sector is proving resilient even in a challenging environment. Whilst project developments in the energy market become increasingly complex, demand for maritime services remains stable. Maintenance, logistics and fleet operations ensure the long-term operation of existing facilities and form the backbone of an industry characterised by technical expertise and operational reliability.

At the same time, the investment landscape is changing. Capital, whilst still attracted to traditional maritime asset classes, is also expanding its focus to service fleets, port infrastructure and technological modernisation – areas that combine economic stability and industrial scaling. This creates new opportunities for shipyards, shipping companies and suppliers: partnerships with investors, long-term contract models and a growing demand for specialised ship types are creating additional opportunities.

Conclusion

2026 is therefore likely to be a year in which the maritime industry continues to consolidate – with a focus on efficiency, cooperation and quality.

Those who invest early in modern technology and reliable partnerships will position themselves as key players in the market and will stay on course during challenging times.



SHIP FINANCE

WHAT ARE THE KEY DRIVERS?

In the maritime sector, financing is currently driven by strategic considerations rather than a need for cash. The increased freight volume following the pandemic and the associated rise in freight rates, charter rates and ships' market values has left many shipowners cash-rich.

Many owners are now looking at fleet renewals. Whilst the shipyards' orderbooks are full for years to come and delivery dates are becoming more and more remote, financings from banks, funds and leasing houses are easily available, prompting owners to log in deals for future deliveries.

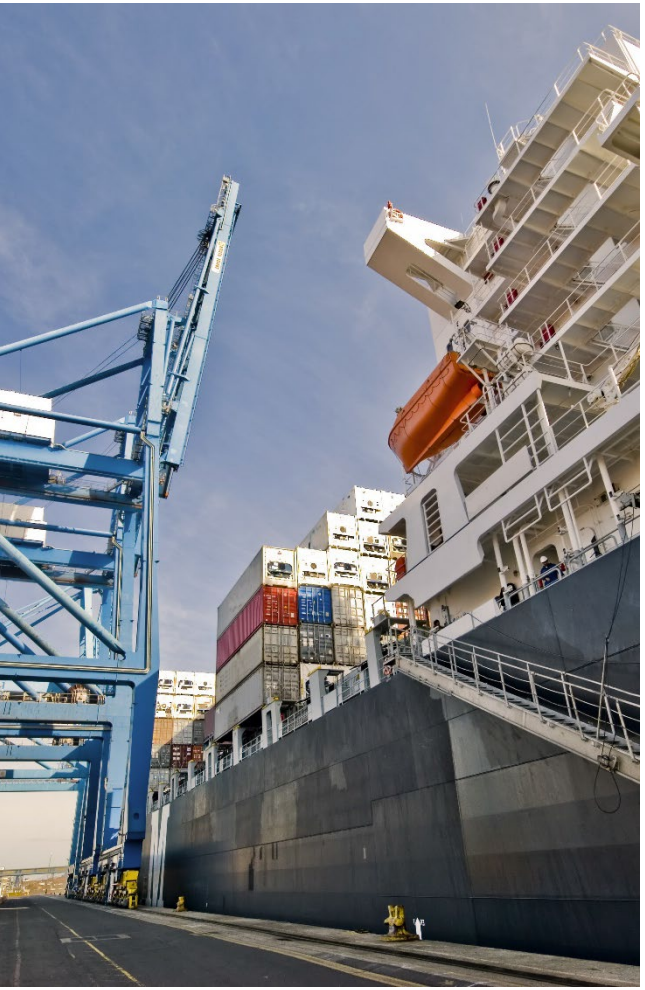
THE SHIPPING AND SHIP FINANCE MARKET IS TOO COMPLEX AND INTRICATE TO HAVE A UNIFORM REPOSNSE TO GLOBAL GEOPOLITICAL EVENTS.

Trends in ship finance

For their short and mid-term planning, some shipowners are now opting for revolving credit facilities secured on a fleet basis. This gives them the flexibility they need to sell ships at short notice if a good opportunity arises. Other structures allowing for greater flexibility are accordion facilities.

Green financing in the form of green and sustainability-linked loans has been on the rise for a while. Green and sustainability-linked loans are established tools to help shipowners implement their green strategy to improve emissions reduction. Propulsion technology is advancing steadily and many newbuildings are now dual fuel ready. It remains to be seen whether the drive to support the advance of more environmentally friendly technology in financing may now be hampered by a changing sentiment towards green goals as evidenced by the recent failure to implement a positive vote for the IMO net zero initiative, as well as growing concerns about potential greenwashing claims.

Chinese leasing has had a notable growth story and Chinese leasing houses are now demonstrating a high degree of flexibility in dealing with their customers in order to cater for the challenges posed by the US port tariffs. This includes allowing for unscheduled early terminations in lieu of financing other ships not scheduled to call US ports or other assets as well as opting for conditional sales agreements not involving a change of ownership.



Impact of geopolitical events

The shipping and ship finance markets are too complex and intricate to have a uniform response to global geopolitical events. Any events leading to the blocking of shipping routes - such as the Houthi attacks in the Red Sea or the shortage of rainwater in the locks of the Panama Canal - have led to changing shipping routes and consequent increased freight and charter rates. In contrast, the imposition by the US of port tariffs against Chinese built and, more importantly, Chinese owned ships was widely expected to be hugely detrimental to the market and it remains to the be seen whether the risk of tariffs is permanently reduced. The impact of other geopolitical events such as recent US actions in Venezuela remain to be seen. It is possible that trading patterns for oil tankers will change as a result.

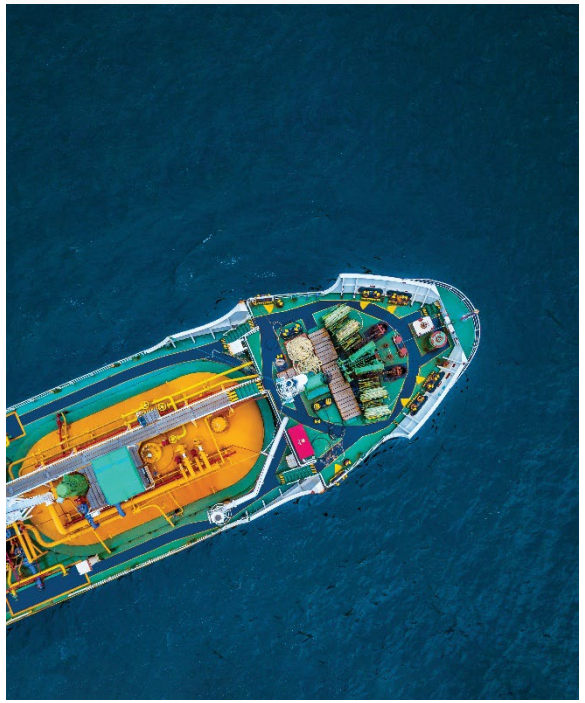
WITH AN INCREASED RISK OF FURTHER GEOPOLITICAL EVENTS, IT IS TO BE EXPECTED THAT SANCTIONS WILL CONTINUE TO DOMINATE LENDERS' DECISION-MAKING.

Sanctions

Sanctions typically follow geopolitical events and are a hugely sensitive issue for lenders and owners alike. Sanctions against Russia in particular have dominated the scene in recent years, with the oil price cap mechanism allowing at least some trade for oil tankers. The numbers allowed by the oil price cap mechanism are, however, subject to constant change and variations depending on the relevant jurisdiction - and it takes a measured approach to determine the viability of a project. With an increased risk of further geopolitical events, it is to be expected that sanctions will continue to dominate lenders' decision-making.

Conclusion

The outlook for lenders may begin to brighten with shipowners beginning to feel the squeeze from competition and more difficult markets – at least unless more black swan events are going to distort the picture.



CROSS-SECTOR PERSPECTIVES

IN GERMANY

Across all sectors, 2026 will bring developments that will have a notable impact on the corporate landscape. This chapter explores key trends: restructuring driven by digitalisation and AI, compliance challenges under the EU Pay Transparency Directive and legal reforms that could redefine freedom of contract and Germany's role in global dispute resolution. These changes set important benchmarks across industries and must stay firmly on companies' radar. Businesses that anticipate and adapt will be best prepared for the future.

RESTRUCTURING 2026

LEGAL DECISIONS & STRATEGIC OPTIONS

The days of staff shortages are over. Economic uncertainty, geopolitical tensions and increased competition are putting pressure on companies. At the same time, advancing digitalisation and the use of artificial intelligence ("AI") are creating new opportunities but are also likely to lead to changes in workforce structures.

Some of Germany's leading industrial and transport companies are responding to global challenges and rapid technological progress by accelerating automation, digitalisation and the adoption of AI technologies. This transformation is driving significant organisational restructuring, including large-scale workforce reductions and substantial investment in future-oriented technologies, as these firms seek to maintain competitiveness in a rapidly evolving market.

THE MESSAGE IS CLEAR: INDUSTRY IS REPOSITIONING ITSELF, COMPANIES ARE FACING A PHASE OF PROFOUND TRANSFORMATION.

The message is clear: industry is repositioning itself; companies are facing a phase of profound transformation.

But this trend does not only affect the industry giants – medium-sized companies and smaller businesses will also have to adapt. This makes it more important to review the corporate structure and take appropriate measures to meet the new requirements.

Legal framework as driving force

Successful and sustainable restructuring requires careful and early planning, and the legal considerations involved should not be underestimated. Companies need to consider not only technological and organisational aspects but also the applicable legal framework. Among other factors, the 2026 works council elections may significantly influence the timing of restructuring projects. Considering current challenges and the clear need for restructuring in some cases, employee motivation to establish works councils in companies that have not previously had one has increased. This is further compounded by the fact that special protection against dismissal applies to the initiators of works council elections and members of election committees. These factors make short-term personnel measures more difficult and underscore the need for forward-looking planning.

At the same time, in addition to any restructuring, companies must also factor the implementation of the EU Pay Transparency Directive into their planning, which will be transposed into German law by 7 June 2026 at the latest (please see 'Pay Transparency Directive: what companies can expect'). The upcoming changes to the Pay Transparency Directive entail considerable cost risks, particularly due to new reporting obligations, rights to information and audit procedures for companies with 100 or more employees. Added to this are the reversal of the burden of proof, possible sanctions and fines. In addition to investments in HR processes, IT systems and compliance structures, these requirements also necessitate early planning, possible adjustments to remuneration structures and, if necessary, negotiations with works councils and collective bargaining partners.

In practice, it is also apparent that the social partners are acting more confidently in the current economic situation – the tone is becoming harsher, as was recently evident in the offshore sector. Those who are not prepared for this risk lengthy negotiations, for example on collective social plans, and additional costs.

Efficiency and strategic instruments for socially acceptable transformation

Early coordination between the company, management consultants and solicitors is crucial to reduce costs and avoid legal pitfalls.

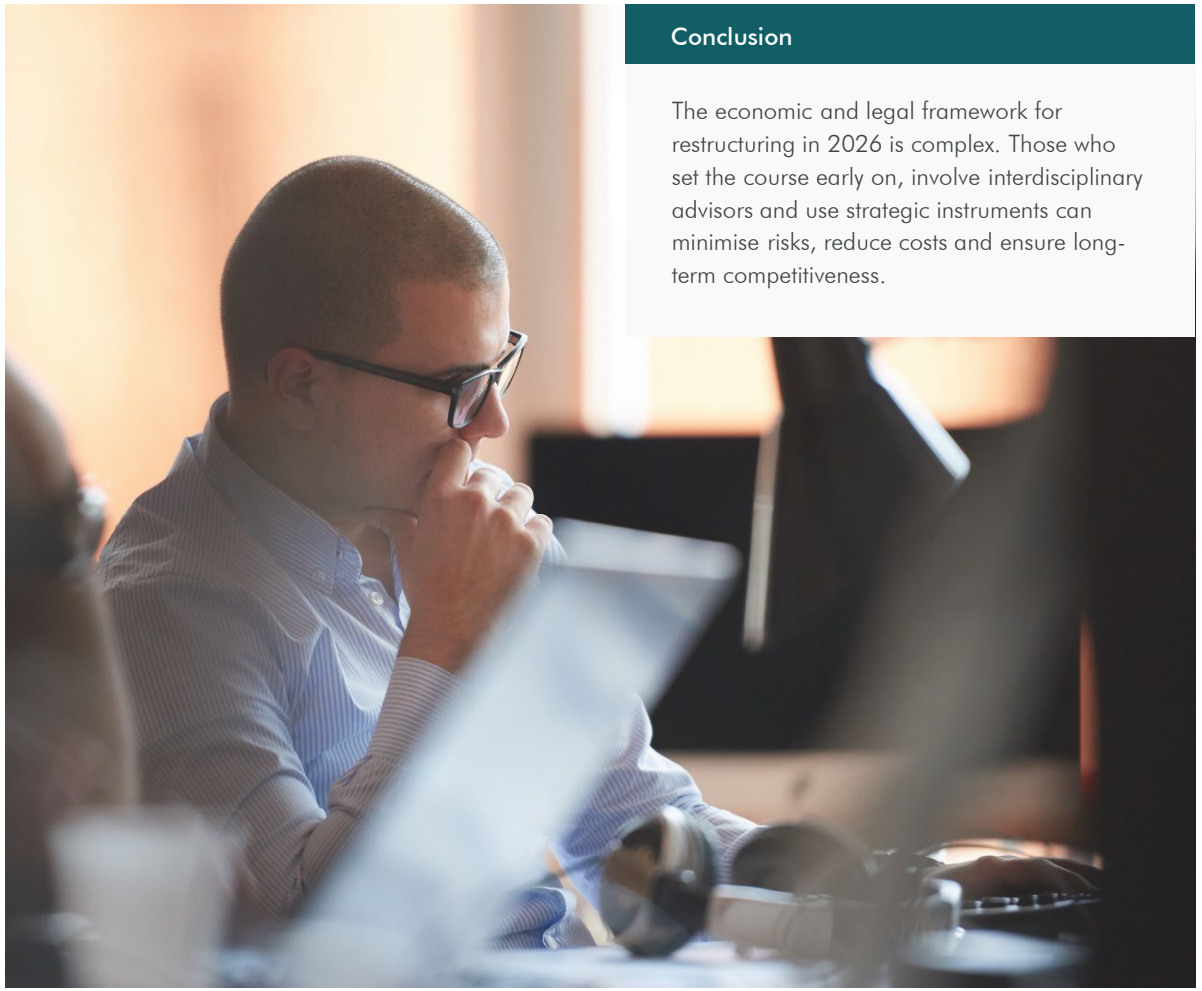
In this context, it is important to plan suitable models and measures at an early stage and, if there is a works council, to negotiate with it to implement restructuring efficiently.

As a first step, companies should consider measures such as training employees to fill vacant positions, leveraging natural staff turnover, allowing fixed-term contracts to expire and refraining from filling open roles. These approaches help avoid redundancies, reduce costs and maintain a positive working environment.

SUCCESSFUL AND SUSTAINABLE RESTRUCTURING REQUIRES CAREFUL AND EARLY PLANNING AND THE LEGAL CONSIDERATIONS INVOLVED SHOULD NOT BE UNDERESTIMATED.

If further staff reductions are unavoidable, a voluntary programme may be a suitable measure under certain conditions. In this case, staff reductions are carried out through systematic termination agreements at predetermined conditions. The advantage: the legally prescribed social selection process is not required, so that even specially protected employees can be included in a socially acceptable manner. Such a programme can be implemented in isolation, serve as a preliminary measure or accompany redundancies for operational reasons.

Given the current economic climate and its challenges, companies should also consider concluding a framework social plan with employee representatives. Unlike a traditional social plan, this approach is not event-driven but designed to be long-term. It provides a foundation for implementing individual measures subject to social plans without the need for additional negotiations, reduces the risk of costly industrial action and legal disputes, and ensures planning certainty. Early adoption is particularly advisable, as negotiations at this stage can take place in a constructive environment: tensions are still low, positions are not entrenched, and experience shows a greater willingness to cooperate on solutions. This proactive approach helps avoid later escalations and the additional costs that typically arise when measures must be implemented under time pressure.



Conclusion

The economic and legal framework for restructuring in 2026 is complex. Those who set the course early on, involve interdisciplinary advisors and use strategic instruments can minimise risks, reduce costs and ensure long-term competitiveness.

PAY TRANSPARENCY DIRECTIVE

WHAT COMPANIES CAN EXPECT

The European Pay Transparency Directive (EU) 2023/970 (the "Pay Transparency Directive") will fundamentally change compensation practices in Germany. Its goal is clear: equal pay for equal or equivalent work. By 7 June 2026, the German legislature must transpose its requirements into national law. For companies, this means that the provisions of the Pay Transparency Directive will become binding and businesses will need to review and, in most cases, redefine their approach to pay structures.

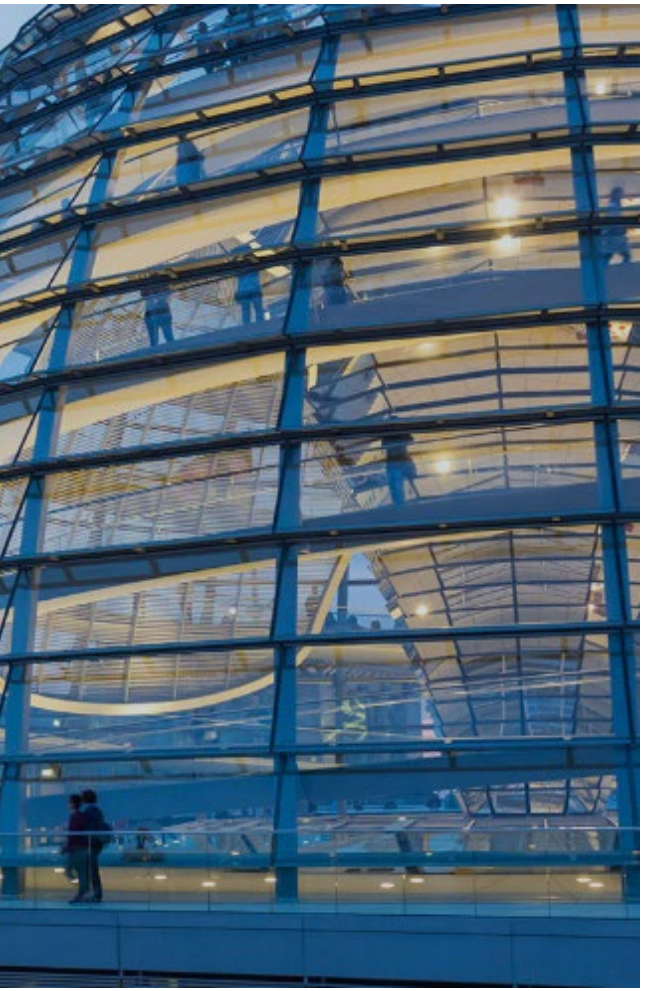
COMPANIES WILL NEED CLEARLY DEFINED PAY STRUCTURES THAT ARE TRANSPARENT BOTH INTERNALLY AND EXTERNALLY.

The directive addresses the persistent gender pay gap. Although Germany already has a Pay Transparency Act and case law requiring equal pay for equal or equivalent work, the unadjusted gender pay gap in Germany still stands at around 16%. The EU now relies on transparency as a key instrument. Employers must ensure that pay decisions are based on objective, gender-neutral criteria. This will significantly restrict the current practice of individual salary negotiations, which often lead to unequal treatment.

Contents of the directive

Companies face three main obligations. First, applicants must be informed of the starting salary or salary range during the recruitment process. This requirement changes how job advertisements are designed and how interviews are conducted. Companies will need clearly defined pay structures that are transparent both internally and externally. This means that the scope for individual negotiations will narrow and the previous practice of flexibly adjusting salaries during recruitment will only be possible to a limited extent.

Second, employees will have a comprehensive right to information. They will be able to request details about their own pay as well as the average pay of colleagues performing equal or equivalent work, regardless of company size. This right will intensify internal discussions about pay equity. Companies must prepare for previously confidential salary information to be



disclosed. This requires not only a clear structuring of compensation systems but also a communication strategy for the workforce. Transparency can raise questions beyond pay equality, such as how performance or responsibility is assessed.

Third, companies with at least 100 employees will be required to regularly publish reports on gender pay gaps. These reports must contain meaningful data and will be accessible to the public and employees. This creates additional pressure not only to meet minimum legal requirements but also to convey an image of fairness and equal treatment. If a pay gap of at least five percent is identified and cannot be justified by objective criteria, a remedial procedure will apply, including a mandatory joint pay assessment. Companies must then take concrete measures to eliminate the identified differences within clear deadlines.

The directive obliges member states to provide effective, proportionate and dissuasive sanctions for violations. These include unlimited compensation claims, fines and exclusion from public procurement. Furthermore, the directive strengthens employees' position by providing better support in potential legal proceedings, such as through the involvement of associations. The position of employees is significantly reinforced. For employers, this means not only increased liability risks but also a new dimension of compliance: pay equity becomes a verifiable and enforceable standard.

FOR EMPLOYERS, THIS MEANS NOT ONLY INCREASED LIABILITY RISKS BUT ALSO A NEW DIMENSION OF COMPLIANCE. PAY EQUITY BECOMES A VERIFIABLE AND ENFORCEABLE STANDARD.

The impact goes beyond mere legal conformity. Transparency becomes mandatory, not optional. Pay decisions must be traceable and documented. Companies that have relied heavily on individual negotiations will need to fundamentally adapt their compensation systems. Even companies bound by collective agreements are likely not exempt. The directive requires all pay systems to comply with the principle of pay equality, which may necessitate adjustments to existing collective agreements.

Need for action

Before the directive is implemented into national law, companies should prepare for adjustments to the Pay Transparency Act. This is already possible, as the directive provides clear requirements that serve as a minimum standard.

As a first step, existing pay structures should be thoroughly analysed. Based on the results of this analysis, the (new) compensation system must be clearly defined, ensuring that pay determination is based on objective and gender-neutral criteria.

Care should be taken to ensure that employee performance can still be adequately rewarded through variable pay components.

If a works council exists, negotiations should begin. If collective agreements apply, these should be reviewed and discussions with trade unions about potential adjustments should be initiated.

Additionally, processes must be established to meet information and reporting obligations as well as the remedial procedure.

MOMENTUM FOR GREATER CONTRACTUAL FREEDOM

In 2025, German contract law entered a period of notable development. With commercial courts now operational and political momentum building for a reform of the judicial control of standard terms (Allgemeine Geschäftsbedingungen – "AGB"), Germany's legal framework may undergo material changes that could influence its attractiveness as law applicable as well as a venue for international dispute resolution.

One year after the Federal Court of Justice (Bundesgerichtshof – "BGH") confirmed that the AGB can be excluded in arbitration clauses, contractual freedom has returned to the forefront of legal debate. The central question for 2026 and beyond is whether these developments could strengthen the application of German law in cross-border commercial transactions.

GERMANY'S LEGAL FRAMEWORK MAY UNDERGO MATERIAL CHANGES THAT COULD INFLUENCE ITS ATTRACTIVENESS AS LAW APPLICABLE AS WELL AS A VENUE FOR INTERNATIONAL DISPUTE RESOLUTION.

Strategic importance of the AGB framework for commercial contracts

German statutory law offers many advantages. The German Civil Code (Bürgerliches Gesetzbuch – "BGB"), in force for more than 125 years, is regarded as a well-structured and adaptable codification supported by high-quality case law. However, in contractual practice it has traditionally been perceived less attractive than, for example, English law. A key reason is the strict judicial control of standard terms under Sections 305 to 310 BGB.

This control aims to protect against imbalances of power and safeguard freedom of contract, but two aspects have been heavily criticised:

- the extensive interpretation of what may qualify as a standard term; and
- the limited distinction between control applied in consumer (B2C) and business (B2B) transactions.

Market practice: navigating standard terms in complex projects

In practice, standard terms are indispensable for recurring commercial contracts. They also play a major role in complex sectors such as energy, infrastructure or maritime, where large-scale project contracts (offshore wind farms, LNG terminals; charter-parties) are often drafted using internationally recognised templates such as FIDIC or BIMCO. Even when discussed, agreed and applied by experienced parties, these pre-formulated terms may still fall within the definition of standard terms – sometimes unexpectedly. In the event of a dispute, this can quickly lead to heated debate and surprises.

Under German law, the scope of judicial review differs depending on whether a clause is individually negotiated or qualifies as standard term. If a clause falls within the AGB regime, it is subject to a far-reaching review and control.

Though parties attempt to avoid the AGB regime altogether by structuring their contracting process including agreeing bespoke wording for key provisions stating that clauses are negotiated in sufficient detail to rebut the presumption of unilateral pre-formulation. In practice, this will mostly not protect against judicial control if in fact there is no satisfactory proof of individual negotiation. To mitigate this uncertainty, businesses are increasingly adopting strategies to sidestep strict AGB control. One approach is to select a more permissive governing law, e.g. opting for Swiss or English law. Another tactic is to include an arbitration clause and instruct the tribunal to apply German law whilst expressly excluding the law on standard-terms.

The BGH decision in brief

In a 2024 case, the Federal Court of Justice (Bundesgerichtshof – "BGH") considered such drafting. A contractor engaged in performing services for a solar project in the Netherlands. Dispute arose over remuneration, defects, delays and contractual penalties. The parties agreed to resolve their dispute through arbitration under the rules of the German Institution of Arbitration ("DIS"). German law (excluding the UN Sales Convention) was chosen as the governing law. In addition, following the strategy outlined above, the parties excluded German law on standard terms stating: "The parties expressly agree to waive reliance on Sec. 305 to 310 BGB."

The BGH had no objections, confirming the arbitration clause's validity regardless of the contract's governing law. Excluding standard-terms rules does not invalidate the agreement. The tribunal must apply the chosen law and assess its validity, whilst state courts only review compliance with public policy when deciding annulment or enforcement.

GERMANY MAY BE ENTERING A PHASE IN WHICH CONTRACTUAL FREEDOM BECOMES MORE CLOSELY ALIGNED WITH INTERNATIONAL EXPECTATIONS AND STANDARDS.

Key legal implications for arbitration and contract drafting

The BGH established important guidelines for practice: excluding AGB law in an arbitration clause can work. Such agreements are not invalid per se, and awards upholding the exclusion are reviewable only on public-policy grounds. This gives tribunals both the authority and duty to balance contractual freedom against German public policy.

However, the ruling does not eliminate all uncertainties. In B2B transactions, the scope of what qualifies as a standard term continues to create unpredictability and further legislative adjustments may be necessary.

Encouragingly, the 2025 coalition agreement acknowledges these challenges. It pledges that "large corporations, when concluding contracts with each other using standard terms, can rely on the fact that what has been agreed within the framework of party autonomy will also be recognised by the courts." This is very much in line with a newly introduced Section 310 para. 1a into the German Civil Code which disallows the application of the law on standard terms for a variety of credit- and finance transactions agreed between "large companies"[1]. If enhanced, this could create a more balanced regime for standard terms and enhance Germany's attractiveness as a legal venue.

Looking ahead: potential shifts in Germany's arbitration landscape

Combined with the new Commercial Courts and potential reform of the AGB regime, Germany may be entering a phase in which contractual freedom becomes more closely aligned with international expectations and standards.

If reforms progress as announced, Germany's legal framework could strengthen its position as a venue for international disputes – potentially allowing the BGB, long regarded as domestically focussed, to evolve into a more internationally accepted standard.

[1] More than 250 employees or revenues of €50+m.

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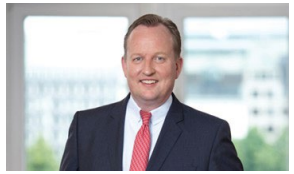

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