



To the point!

Cross-Asset- and Strategy-Research

Climate change accelerates

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The German federal election must not only focus on the economy

There are numerous issues that are stirring up emotion ahead of the German federal elections. The pervasive sense of stagnation is almost palpable. However, there is one area where things in Germany are consistently on the rise: temperatures. Climate change is advancing at an increasingly rapid pace. Last year marked yet another record high. Never before has the average annual temperature been as high as it was in 2024. Climate researchers are particularly alarmed by the rapid rate at which temperatures are climbing. In 2024, the average temperature of 10.9 degrees Celsius exceeded the previous record year, which, you guessed it, was 2023, by an additional 0.3 degrees (see Fig. 1). On a global scale, the world surpassed the [Paris Agreement climate target](#) of 1.5 degrees Celsius for the first time last year. Humanity is not on a sustainable path.

The costs of climate change

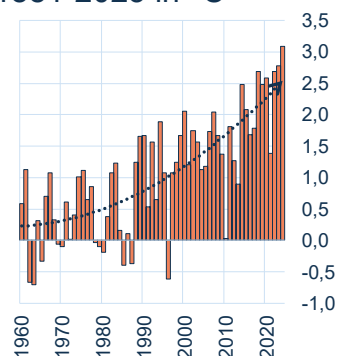
Moreover, 2024 was characterized by a high incidence of alarming natural events in Germany, particularly heavy rainfall and flooding. Within six months, the country experienced three floods that would previously have been classified as once-in-a-century events. The increasingly warmer temperatures exacerbate the risks of heavy rainfall, as warmer air can hold and subsequently release more moisture. Consequently, flood disasters are likely to become more frequent and severe also in Germany. Economic damages continue to mount (see Figure 2).

The next government must act decisively

To date, the election campaign has predominantly focused on economic issues. This is not only understandable but also warranted given the persistent stagnation of the German economy.

Once again: another record year!

Fig. 1: Deviation of average temperature from long-term average 1881-2023 in °C



Source: Germany's National Meteorological Service (DWD), LBBW Research

However, this focus must not detract from efforts to combat climate change. After all, it is not merely about protecting the climate; it is about safeguarding people. Therefore, the federal election must not be reduced to a purely economic contest. Political parties must present credible strategies for the emission reductions mandated unanimously by the [German Federal Constitutional Court](#) in 2021, which forbade politicians to kick the issue into the long grass. An increasing number of people believe that climate protection harms the economy. In reality it is quite the opposite. The economic damages expected from climate change in Germany could amount to more than 500 billion euros (medium scenario) or nearly one trillion euros (severe climate change scenario) by 2050. The latter figure would represent almost a quarter of the gross domestic product. There simply is not trade-off between climate action and economic growth!

What I wish for the next government

Even as Donald Trump, a self-professed climate change refusenik, will stop climate protection efforts come Monday, Germany finds itself in the company of a broad international coalition that recognizes the risks of climate change and is taking appropriate countermeasures. We should seize the opportunity presented by climate change and aim for German companies to achieve a dominant position in technologies of emissions reduction and energy efficiency, akin to their historical leadership in internal combustion engines. Clinging to the successful technologies of the past will only propel Germany further into economic irrelevance. What is needed now is reliability and planning certainty: For instance, altering emissions targets in the EU would unfairly penalize manufacturers (such as BMW) who have invested heavily to meet the standards. Instead of opportunistic knee-jerk short-term measures, I call for clear vision and steady leadership. Both climate and economy will benefit from this.

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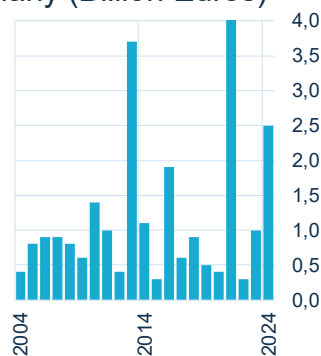
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Fig. 2: Insured losses natural hazards in Germany (Billion Euros)



Source: German Insurance Association (GDV), LBBW Research

Germany must stay the course on climate policy
