Additional sources of financing are needed to deliver the sustainable transport system of the future

Press Release

A new study by Agora Verkehrswende and Dezernat Zukunft explores required public-sector funding in the areas of infrastructure, local public transport, and the automotive sector. / Higher levels of public investment and equitable burden sharing will require increased government borrowing and enhanced revenues from administrative fees.

24 November 2025. The development of a future-ready and sustainable transport system will require the German government to tap considerable additional sources of financing over the next ten years. Up to 2030, the public sector will need to invest some €390 billion in railways and long-distance roads, municipal-level public transport, and the automotive sector. While most of these expenditures will occur at the federal level, Germany's states and municipalities will bear a share of necessary investment in local public transport. Yet even with the special fund for infrastructure and climate neutrality launched at the beginning of 2025, the fulfilment of this investment target is unlikely. This is a key finding of a new study by the German think tanks Agora Verkehrswende and Dezernat Zukunft regarding financing options for a future-ready transport system. The study was carried out in collaboration with the Advisory Council on Financing a Sustainable Transport System, which is composed of representatives from the transport and finance sectors, trade unions, academia, and government.

"The time has come for a fresh approach to financing the transport system," says Dr. Wiebke Zimmer, Deputy Director of Agora Verkehrswende. "The launch of the special fund for infrastructure and climate neutrality was an important first step. Certainly, the fund will help to reduce Germany's investment backlog. However, making our bridges, roads, and railways ready for the future while also investing in new buses and trains will require higher investment sums. The current practice of planning investment based on forecasted future demand is short-sighted. The German government should define clear policy targets that are aligned with the goal of climate neutrality and informed by the principles of 'maintenance before new construction' and 'rail before road'. Investment planning and financing should then flow from these targets."

Policy action for a new financing architecture

The study analyses five financing options that could help cover the estimated funding gap: increased government borrowing; tax reform; highway tolls for cars and trucks; a special public transport levy; and the mobilisation of private capital. While the experts who advised the study had divergent assessments of each option, they were in full agreement regarding the need to acquire additional funding, whether from new or existing sources. Ultimately, however, they also saw policy design and the associated calibration of each instrument as a responsibility of policymakers.

"Additional government borrowing in combination with higher revenues from administrative fees will be essential for the sustainable financing of the transport system," says Dr. Vera Huwe of Dezernat Zukunft. "Calling for additional government borrowing is reasonable, as future generations will benefit from infrastructure

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investment, and can thus be expected to bear a share of the costs. A polluter-pays highway toll for cars would ensure a stable source of financing that is insulated from budgetary pressures while also enabling the more equitable distribution of costs. A special public transport levy that is assessed regardless of individual usage is justified given the broader economic and social benefits generated by a robust public transport system." Such a levy could be charged to beneficiaries such as companies or residents.

The study's authors suggest that aligning transport-related tax policies – including the vehicle tax, company car tax, commuter tax allowance, and energy taxes – with ecological and social criteria would boost public revenues while also incentivising sustainable behaviour. The Council members vigorously debated individual funding options. A commonly held view was that some tax reform benefits could be realized quickly, but that real-world implementation would require small steps over an extended timeline. Another frequently expressed viewpoint was that the mobilisation of private capital should only play a subordinate role in the financing of public infrastructure, as the cost of capital for private investment is higher than the interest on government bonds. In other words, the risk premiums and return expectations of investors would mean higher overall costs for the general public.

Prompt policy action is essential for effective medium-term solutions

The study assumes that investment needs up to 2030 will be covered by existing means of financing. In the area of infrastructure investment, this includes the federal budget, the special fund for infrastructure and climate neutrality, and the highway toll for trucks. In the area of public transport investment, financing up to 2030 will come from ticket revenues and from federal, state, and municipal budgets. Lastly, for the transformation of the automotive sector, financing will come from the federal budget and from the climate and transformation fund. Significant funding streams from new or modified financing instruments are most likely from 2030 onward, the study concludes.

"Some time will be needed for new instruments to take effect," Dr. Huwe explains. "For example, a polluter-pays car toll and special public-transport levy should be implemented in a socially responsible and gradual manner. Accordingly, these policy instruments will only reach their full potential after 2030. The same applies to the reform of debt rules. Even if the required expenditures for infrastructure decline as the investment backlog is cleared, greater government borrowing will be necessary for sustainable financing arrangements that are not reliant on temporary special funds. It is therefore all the more important for policymakers to take action without delay."

"A transport system that strengthens Germany as a location for business and investment while also furthering the goal of climate neutrality will generate clear benefits for society," Dr. Zimmer adds. "Initially, higher levels of investment are required – for example, to expand public transport and enable widespread adoption of electric vehicles. However, increases in energy efficiency, modal shifts in transport, and reduced GHG emissions will lead to lower macroeconomic costs over the long term. Political hesitation, by contrast, will mean higher overall costs. It will never be as affordable as it is now to prepare the transport system for the future."

Investment requirements and financing solutions for infrastructure, local public transport, and the automotive sector

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In addition to exploring specific financing options and the challenges they pose, the study presents an example financing solution in each investment area. In the area of rail and long-distance road investment, annual expenditures of €43 billion euros are anticipated in 2030. This figure will fall to €32 billion euros by 2035. However, public expenditures in this area amounted to less than €30 billion in 2025. Looking forward, the most important sources of financing will include the highway toll for trucks, federal allocations from the general budget and special funds, and – prospectively – a highway toll for cars.

Financing needs for local public transport are expected to rise from €44 billion in 2025 to an estimated €59 billion in 2030 and €74 billion in 2035. In addition to ticket revenues and funding from federal, state, and local governments, the financing solution showcased in the study takes into account increased funding from a special public transport levy as well as a share of revenues from a highway toll for cars.

By contrast, less funding is required for the transformation of the automotive industry, as the private sector will be predominantly responsible for making necessary investments in this area. However, to support the private sector, the government could offer rebates for the purchase of electric vehicles or provide temporary start-up grants for innovative investment – for example, in battery manufacturing, raw-material supply chains, or autonomous driving technology. Furthermore, the public sector can promote strategic dialog amongst actors in the private sector by leveraging cross-sector collaborative networks dedicated to societal transformation, the study notes. According to the study's calculations, additional financing requirements are largely front-loaded, as the funding gap will be just under €5 billion in 2030, and will fall to €3 billion by 2035.

Recommendations from Advisory Council on Financing a Sustainable Transport System

The study also contains recommendations regarding the design and financing of a future-ready transport system that were issued by the Advisory Council on Financing a Sustainable Transport System. The Council calls in general for investments to be geared towards sustainable political goals and for prompt decisions to be made regarding financing options and their respective financial contribution. The Council advocates a continuous increase rail investment, noting that a standing rail infrastructure fund would provide a more reliable basis for planning by relevant actors. Furthermore, the Council advocates marginal-cost-based track access charges to promote competition in the rail sector. The Council also recommends the expansion of local public transport in combination with considerably higher investment volumes. With a view to the transformation of the automotive industry, the Council calls for temporary start-up grants to accelerate the adoption of electric vehicles and to establish a European battery cell industry.

The Expert Council for the Financing of a Sustainable Transport System was established at the initiative of Agora Verkehrswende and Dezernat Zukunft. The project received funding from Stiftung Mercator. The Council held several meetings with the authors of the study. The Council members are: Christine Behle, Deputy Chairwoman of the trade union Ver.di; Christiane Benner, Chairwoman of the trade union IG Metall; Dr. Christian Dahlheim, Chairman of the Board of Volkswagen Financial Services AG; Werner Gatzer, former State Budget Secretary and Chairman of the Supervisory Board of Deutsche Bahn AG; Dr. Anne Greinus, Managing Director of INFRAS AG; Winfried Hermann MdL, Baden-Württemberg Minister of Transport; Alexander Möller, Managing Director of Verband Deutscher Verkehrsunternehmen e.V.; Carolin Schenuit, Managing Director of Forum Ökologisch-Soziale Marktwirtschaft e.V.; Silke Stremlau, Chairwoman of the federal government's Sustainable Finance Advisory Council; Prof. Dr. Achim Truger, Professor of Socioeconomics at the University of Duisburg-Essen and a member of the German Council of Economic Experts.

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About the study

The Agora Verkehrswende and Dezernat Zukunft study, titled "Financing the Sustainable Transport System of the Future: Key Considerations," includes recommendations authored by the Expert Council for the Financing of a Sustainable Transport System. The full version of this German-language study is available for download free of charge at the following link: https://www.agora-verkehrswende.de/veroeffentlichungen/eckpunkte-fuer-die-finanzierung-eines-zukunftsfaehigen-verkehrssystems

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