

BAI Newsletter IV/2025 – September 2025

Editorial article from Frank Dornseifer, Managing Director, BAI e.V.

Dear Ladies and Gentlemen,
Dear Members,

The way is clear for private capital – is the big infrastructure boom coming?

This summer has been eventful, including in terms of regulation: following the rather sparse and modest Infrastructure and Climate Neutrality Special Fund Act, the end of the summer recess saw the introduction of two regulatory heavyweights, the Fund Risk Limitation Act and the Location Promotion Act, which could represent milestones for our industry and, above all, for Germany as a fund location.

Why? With the Fund Risk Limitation Act, the harmonized European rules for credit funds are now finally being transposed into national law. The content of the Act is largely identical to the Fund Market Strengthening Act of the last legislative period, even if the name of the Act does not suggest this. The Europe-wide harmonization of regulations for credit funds, which are of fundamental importance for the financing of small and medium-sized enterprises and infrastructure projects as well as for transformation, is a real opportunity, not only for the German fund industry, but also for the German economy. As is well known, there are currently no credit funds established in Germany, which is a real shortcoming. The new level playing field will change this, which is why the law is so important: it is a first and genuine step toward enabling Germany to catch up with other jurisdictions. At the same time, concerns raised by European and international supervisory bodies regarding this dynamically growing fund sector have been adequately addressed, and the regulation now applicable throughout Europe contains specific and comprehensive requirements for the risk and liquidity management of credit funds. If you look closely, you will quickly see that this has nothing to do with shadow banks and the like, but rather with balanced and focused regulation.

However, the Fund Risk Limitation Act also improves and increases the flexibility of German investment law in certain areas, for example by allowing closed-end special funds to be launched in the public fund sector in future and by making it easier for providers of closed-end funds to offer citizen participation in the renewable energy sector.

Next up is the Location Promotion Act. This act aims to improve the - tax - framework conditions for private investment and strengthen the financial center as a whole, especially in the areas of infrastructure, renewable energies, and venture and growth capital. In terms of content, there is again a parallel to the previous legislative period, namely the so-called Future Financing Act II, which

was also unable to be passed. The Location Promotion Act contains a number of tax law changes and clarifications for funds. Until now, for example, commercial income was prohibited for funds or led to a loss of status, which represented a significant competitive disadvantage compared to foreign funds in this segment. The Location Promotion Act finally allows investments in infrastructure and renewables while maintaining status; credit funds are also integrated into the investment tax system on the basis of the new supervisory law, eliminating existing competitive disadvantages, for example, in regard to Luxembourg.

Conclusion: Particularly in view of the objective prominently mentioned in the coalition agreement to mobilize more private capital for financing infrastructure, growth, innovation, and transformation, the two drafts now presented are essential measures. These legislative steps are also fundamental for the planned special infrastructure and climate protection fund, because only with a clear and competitive supervisory and tax framework will funds and the investors behind them from the entire pension sector invest the desired billions from and in Germany. It is to be hoped that the current government will successfully complete the thoroughly successful preparatory work of the last federal government.

New financing models for infrastructure and renewable energies

But will these legislative measures alone be sufficient to meet the enormous financial requirements on the one hand, and to channel private capital into German infrastructure at the municipal, state, and federal levels in a targeted manner on the other?

First, let's look at the figures: In its 2023 Climate Barometer, KfW estimates that the financial requirements for achieving the legally enshrined goal of climate neutrality in Germany by 2045 alone amount to around five trillion euros, which corresponds to an average annual investment requirement of a good 190 billion euros – around five percent of Germany's gross domestic product. And that is many times more than the frequently cited €500 billion that will be made available by the government through the planned special infrastructure and climate protection fund. KfW itself had already stated – unsurprisingly – that a large part of these investments – around 60 percent – cannot be covered by the public sector. The financial leeway at the federal, state, and local levels is severely limited – not only by the debt brake. And that is precisely why private capital is needed, i.e., capital from insurance companies, pension funds, pension schemes, and investment funds, and, if possible, also from private investors.

The Fund Risk Limitation Act and the Location Promotion Act are now paving the way for supervisory and tax law to enable such investments in Germany rather than preventing them, as has been the case up to now.

But where do the projects come from, how are they made investable, and how can the public sector and private investors cooperate?

Already in 2016, a group of experts based at the then Federal Ministry for Economic Affairs and Energy had drafted a concept for private financing of municipal infrastructure projects, consisting of:

- Firstly, a brokerage platform (“state infrastructure company”) that significantly reduces transaction costs by bundling and standardizing projects;
- secondly, a suitable governance structure for implementing projects within a “bundle,” which enables effective risk transfer, grants the public sector opportunities for participation and control, and reduces potential information asymmetries and conflicts of interest;
- thirdly, a suitable fund vehicle that incorporates equity capital while taking into account the long-term nature and illiquidity of infrastructure investments and the gradual build-up of a project pool.

Unfortunately, this concept was not pursued further. In view of the immense and urgent challenges posed by sustainable transformation, the German government's Sustainable Finance Advisory Council, for example, also presented its own proposals for mobilizing private capital in its discussion paper on the expansion of sustainable infrastructure during the last legislative period. Here, too, the focus is on diversifying sources of financing and securing strong commitment from private investors, particularly in view of a supply gap in equity financing for municipal (or state) infrastructure. In addition to pooling municipal loans, the use of fund structures and the establishment of infrastructure holding companies with or without public participation were proposed for concrete implementation. With regard to the implementation and structuring of the bundling options (infrastructure company in combination with fund structures), there were also certain similarities to the concept proposed at the time by the BMWi expert group.

The BAI, its members, and its network have ideas and expertise on how these objectives and legislative proposals can now be brought together, and we are already in intensive discussions with a large number of stakeholders to jointly develop solutions. Further rounds of talks will take place in the coming weeks and months, and as always, our member companies are invited to contribute via our relevant committees. We will also report on this at the Real Assets Symposium in November, which brings us to our next topic.

BAI Real Assets & Wealth Management Symposium

Infrastructure is, of course, once again the dominant theme of this year's Real Assets Symposium, which will take place on November 13, 2025, in Frankfurt. Over the past few years, the symposium has established itself as one of the most important events in this segment, and we are proud to be able to present another high-caliber program this year. However, we are not resting on our laurels, but have further developed the concept of the symposium and also expanded it to include the Wealth Management Symposium.

At the Real Assets Symposium, we will of course also discuss the special infrastructure and climate protection fund and ways and concepts for mobilizing private capital. In addition, there will be a variety of other presentations and panel discussions on infrastructure and real estate. Two parallel

sessions will offer BAI members, prospective members, and institutional investors an optimal selection of specialist presentations and discussion panels. The Wealth Management Symposium, which is being held in parallel for the first time, will address current developments in the asset management and private client business segment. The focus will be on evergreen structures, new sales markets with ELTIF 2.0, and challenges in sales and processing. The program is aimed at BAI members as well as asset managers, family offices, foundations, private banks, savings banks, cooperative banks, interested institutional investors, and, of course, representatives from the public sector.

[Registration](#) is open since the beginning of July. Free tickets are available on request for participating institutional investors, asset managers, family offices, foundations, private banks, savings banks, cooperative banks, and financial advisors, as well as representatives from the public sector.

We look forward to welcoming you to Frankfurt on November 13, 2025.

BAI InnovationsDay

Prior to the Real Assets Symposium, the now long-established BAI InnovationsDay will also take place, where we will present new developments in technology and strategy. This year's agenda covers the following topics, among others: Digital Assets & Tokenization

- KI & Data Sourcing
- DLT Market Infrastructure
- Web 3.0, FinTech & RegTech
- Compliance, Cybersecurity & Digital Resilience
- Regulatory pitfalls in the expansion and digitization of the business model of private equity funds

The [InnovationDay](#) will be held in Berlin for the first time, at the House of Finance & Tech, and we will kick off the event with an illustrious dinner the evening before. Be sure to take a look at the program and then, of course, stop by on September 30, 2025. There is even one last slot available in the program. So if you would like to present an exciting and innovative topic, please contact our events team.

BAI Workshop Sustainable Finance & ESG

For the sake of completeness, we would like to draw your attention to the established BAI Workshop Sustainable Finance & ESG, which will once again take place at the Frankfurt School of Finance and Management. Save the date: November 27, 2025. Registration is now open, and the program will be available shortly on our [website](#).

About the articles in this newsletter

As usual, this newsletter focuses on a range of highly readable articles on the topic of real assets. Many thanks to all the authors who contributed to this newsletter.

I hope you will once again find the BAI newsletter informative and entertaining.