

BAI welcomes legislative initiatives to promote infrastructure investments

- Draft of the second law to strengthen occupational pensions provides for the introduction of an **independent infrastructure quota for investments by pension funds**.
- Discussion draft on the promotion of investments by investment funds in renewable energies and infrastructure creates a **legally secure framework for the fund industry, particularly in investment tax law**.
- Overall, the two initiatives will lead to a **significant improvement in the synchronization of fund regulation, tax law and investor regulation**; this is a basic prerequisite for harnessing considerable capital resources from the fund industry and the investors behind it for infrastructure investments.
- In the current challenging market environment, institutional investors regard infrastructure as **one of the most attractive alternative asset classes** and its importance in strategic asset allocation continues to grow.
- Particular attention must be paid - also from a competitive perspective - to the attractiveness of infrastructure investments in Germany; this depends on the risk/return profile and there is still some catching up to do here compared to other countries

Bonn, June 28, 2024 - The Bundesverband Alternative Investments e.V. (BAI) welcomes the draft bill published yesterday for the second law to strengthen company pension schemes and amend other laws (**2nd Company Pension Strengthening Act**). An important component of the draft is the revision and expansion of the investment options for the pension funds concerned, particularly in the infrastructure segment. Among other things, the draft includes the introduction of an independent quota of 5% for infrastructure investments, which is not at the expense of other existing quotas.

The draft of the 2nd Company Pension Strengthening Act is closely linked to the discussion draft recently presented by the Federal Ministry of Finance on the promotion of investments by investment funds in renewable energies and infrastructure (**Infrastructure Promotion Act**). This draft contains important changes to fund supervisory law (KAGB) with regard to

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infrastructure investments, as well as significant improvements to the Investment Tax Act, including an expansion and flexibilization of the investment catalog with regard to infrastructure assets and project companies.

BAI Managing Director **Frank Dornseifer** assesses the two drafts as follows: "The BAI has repeatedly pointed out that the sustainable transformation or energy transition cannot be financed without the fund industry and the institutional and private investors behind it. In its Climate Barometer 2023, KfW puts the financing required to achieve the legally enshrined goal of climate neutrality in Germany by 2045 at around five trillion euros, which corresponds to an average annual investment requirement of a good 190 billion euros, whereby the largest share cannot be borne by the public sector. The legislative initiatives that have now been presented address precisely the areas of action that we have been addressing and, overall, they are therefore to be viewed positively. Not only will legal certainty be created along the investment value chain in the future, but above all long-standing inconsistencies in supervisory and tax law, which have damaged the competitiveness of Germany as a fund location, will be eliminated."

Dornseifer continues: "Whether German or foreign investors now make corresponding investments in infrastructure or renewable energies in Germany also depends largely on other factors, in particular risk-return aspects. Pension funds also have to pursue specific return targets for their investors, policyholders, pension recipients, etc.. And the strategic and tactical asset allocation is aligned accordingly. In other words, locations and assets are in competition. This is precisely why the German energy industry and the Association of Municipal Enterprises recently emphasized in a joint position paper that **"many of the German energy transition projects do not have a sufficiently attractive risk-return profile from the perspective of private investors"** and that **"competing investments therefore often [promise] better returns with lower risks"**. Particularly in view of the overarching objective of managing the energy transition and sustainable transformation together with private and institutional investors, I believe that further measures are required in addition to these two legislative initiatives. One central aspect could be to establish a dedicated infrastructure project company, into which - on the one hand - state infrastructure projects are brought in and bundled, so that standardization and, above all, scalability is achieved; on the other hand, the public sector and private investors can invest together via this project company, as is the case with the KfW Growth Fund, for example, which has successfully established itself. The Sustainable Finance Advisory Board itself also proposed such a cooperative financing model at the beginning of the year, as have the energy industry and the Association of Municipal Enterprises in their joint position paper on the so-called energy transition fund."

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[BAI Studie “Between Short-term Headwinds and Strong Long-term Tailwinds: Infrastructure 2024 - Focus on Germany”](#)

About the BAI e.V.:

The Bundesverband Alternative Investments e. V. (BAI) is the central interest group for the alternative investments industry in Germany. The association sees itself as a catalyst between professional German investors and recognized providers of alternative investment products worldwide. It is committed to ensuring that German institutional and professional investors can diversify their investments more easily and better with regard to alternative investments, particularly with a view to securing German pension provision in the long term. The BAI promotes public awareness and understanding of alternative investments and supports scientific research. It engages in dialogue with political decision-makers and the responsible supervisory authorities and maintains an exchange with national and international organizations and associations. The association pursues the goal of achieving legal reforms and legal development in the interests of its members and their investors and creating attractive and internationally competitive framework conditions for investing in alternative investments. The number of BAI members, who are recruited from all areas of the professional alternative investments business, has grown to around 300 companies.

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