

German Special Fund for Energy and Climate: Implementation Examples

**Climate Policy Initiative
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Environment & Climate Portfolio of KFW Group

Environment Finance Within KfW Group



Domestic promotion

International promotion

We promote Germany

We ensure internationalisation

We promote development

Business Area Mittelstandsbank

Promotion SMEs, business founders, start-ups

Business Area Privatkundenbank

Promotion construction of new housing and modernisation as well as education

Business Area Kommunalbank

Financing municipal infrastructure projects and global loans Germany/Europe agency business for Federal Government

Business Area Export and Project Finance

International project and export finance

Business Area Promotion of Developing and Transition Countries

Promotion of developing and transition countries

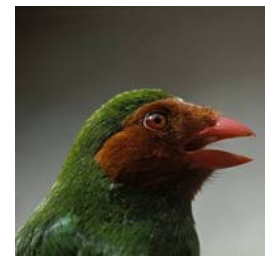
Promotion of environmental and climate protection



Fields of Activity of KfW Group: Environment Finance



Instruments: grants – concessional and commercial loans – equity – mezzanine finance



KfW Group New Commitments: Environment Financing

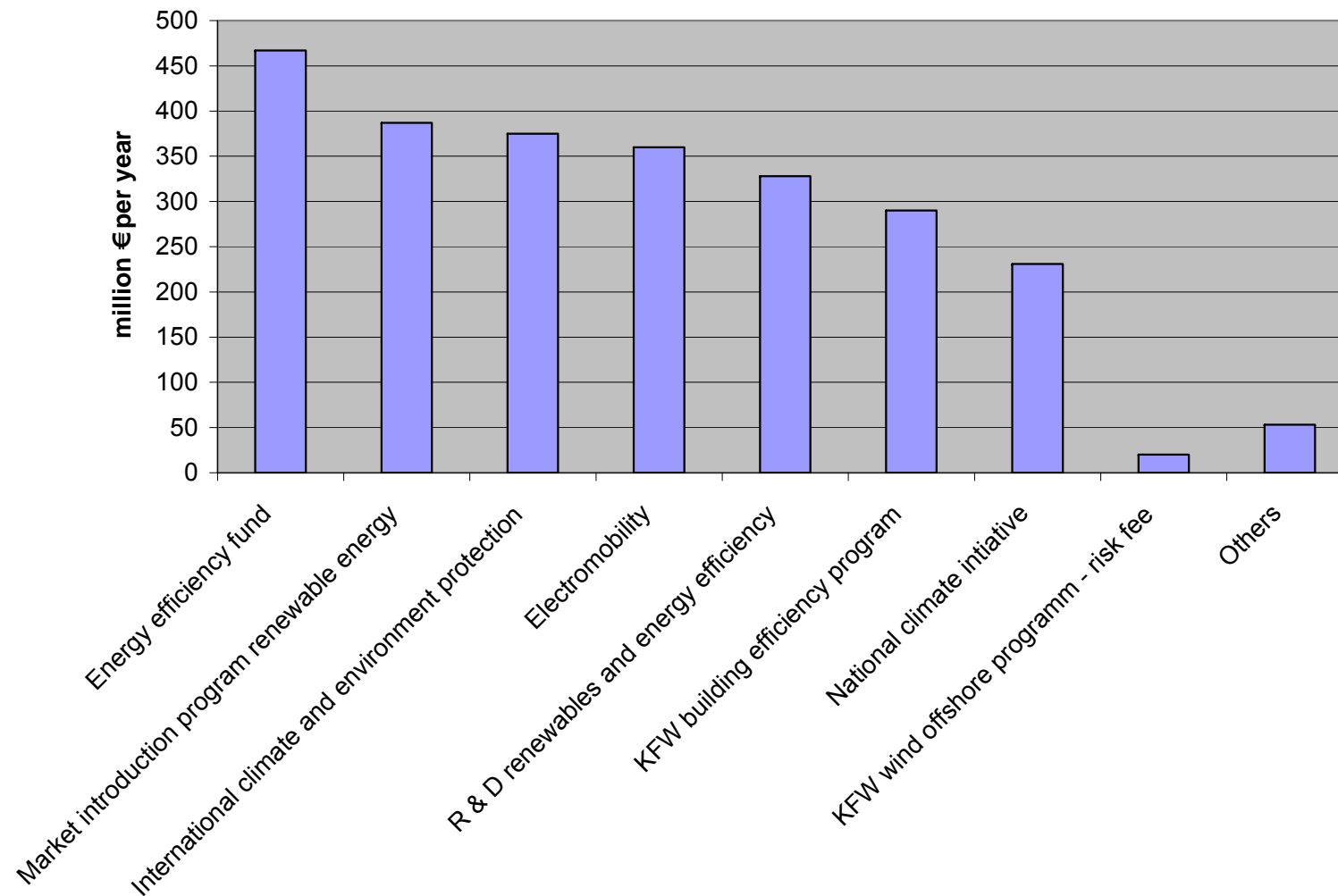


	2009		2010	
	Total	Environment	Total	Environment
Domestic	€ 49.2 bln	€ 16.5 bln	€ 64.3 bln	€ 20.8 bln
Development Bank	€ 3.5 bln	€ 1.6 bln	€ 4.5 bln	€ 2.6 bln
IPEX	€ 8.9 bln	€ 1.1 bln	€ 9.3 bln	€ 1.2 bln
DEG	€ 1.0 bln	€ 0.7 bln	€ 1.2 bln	€ 0.8 bln
Total	€ 62.6 bln	€ 19.8 bln	€ 79.3 bln	€ 25.3 bln

**32 % Share
„Environment“ in 2010**

The German Special Fund on Energy & Climate (EKF): Some Facts

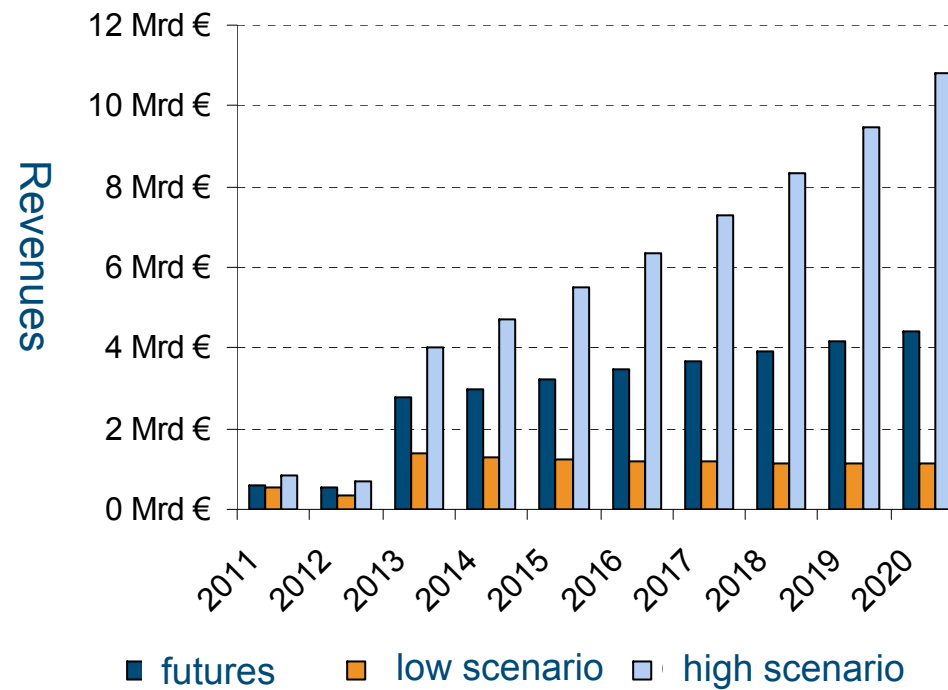
Ring-fenced EU ETS Auctioning Revenues (2013-20): German Special Fund for Energy and Climate



Expected Revenue Stream: EU ETS Auctioning in Germany



Estimated Potential German Auctioning Revenues



Source: KfW-KLF (9/2011)

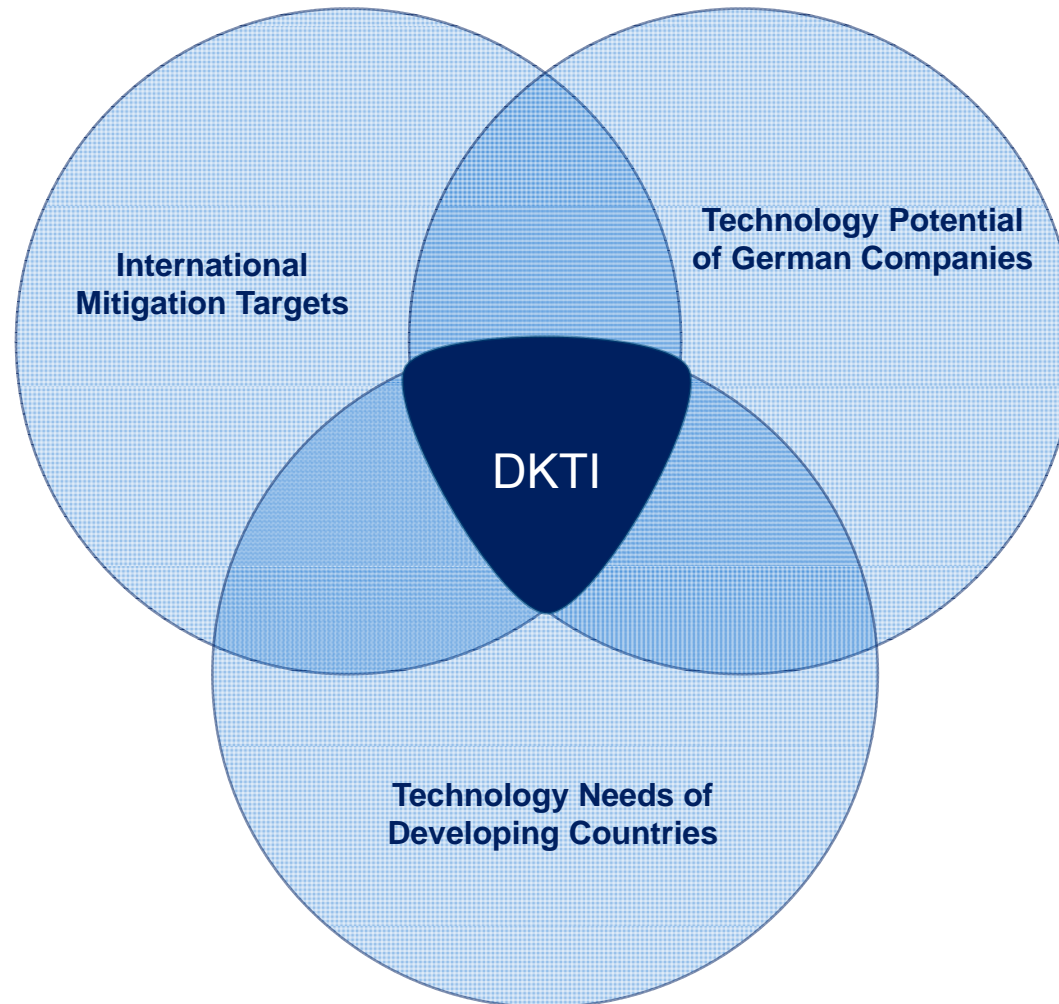
German Climate Technology Initiative (DKTI)

- The German Climate Technology Initiative (DKTI) is a joint initiative of the Ministries of the Environment and of Development Cooperation
- KfW and GIZ are the implementing agencies of DKTI
- DKTI is funded by EU ETS auctioning revenues via the international part of the Special Fund for Energy & Climate

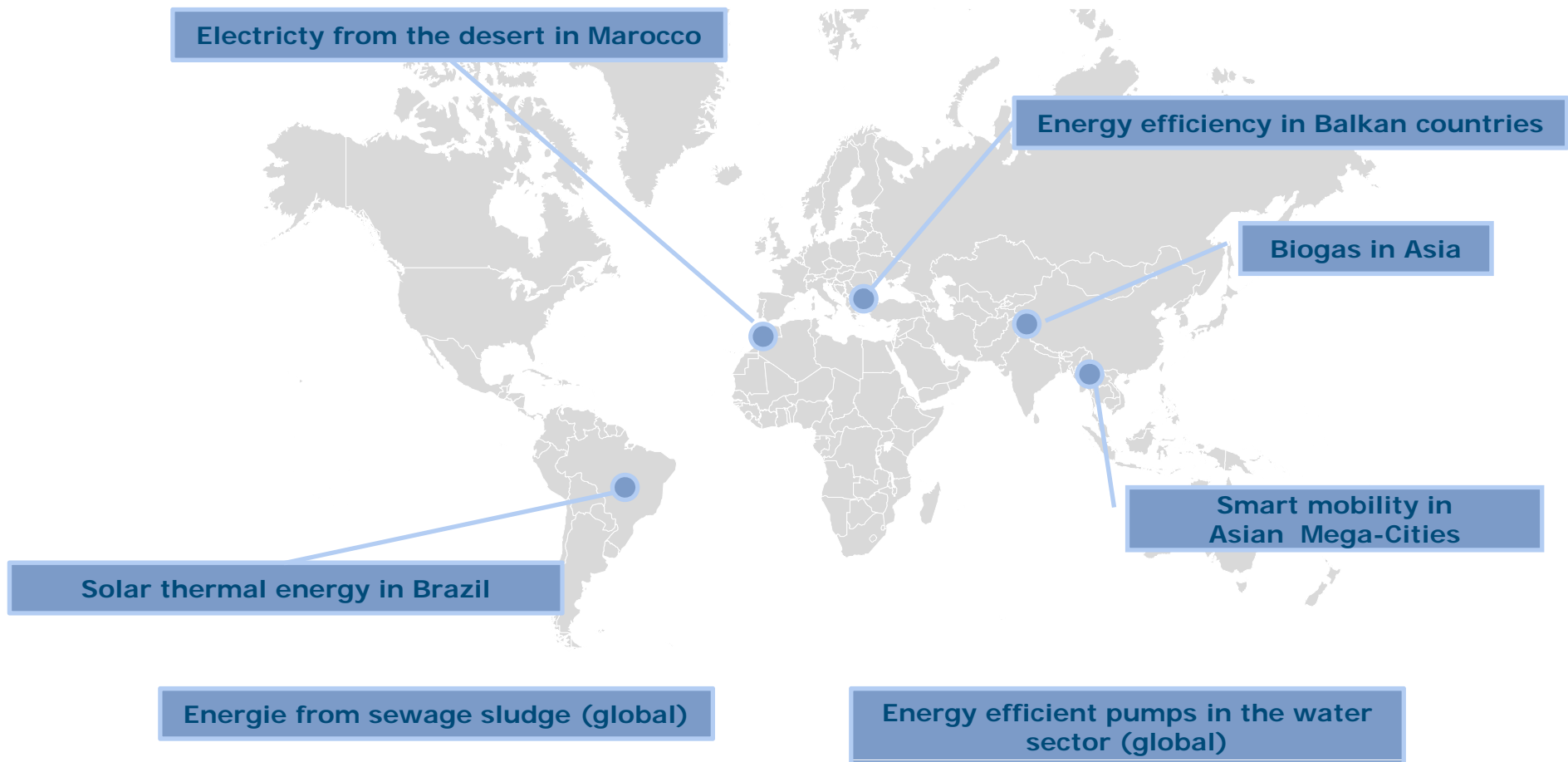
Objectives:

- Mobilise mitigation potentials by bilateral technology cooperations in technology fields and countries with German export potential
- Mobilise additional funding for climate financing (approx. 1 bln USD p.yr.), make efficient use of scarce public funding (leverage factor 3-5)
- Improve investment conditions and remove investment barriers
- Increase level of German official development assistance (ODA)
- Provide strategic international support to German energy policy

Objectives of the German Climate Technology Initiative DKTI



Examples for Potential Technology Cooperation Programmes Within the German ClimateTech-Initiative



KfW Offshore Wind Programme

Specific Challenges to German Offshore Wind Development



- Remote sites with 40 – 100 km to shore
- Significant water depth of 30 – 40 m
- Application of a specific offshore-technology (≥ 5 MW) with respective logistical challenges
- Limited availability of big ticket financing because of continuing financial crisis
- Other European sites (e.g. UK) competing for financing from same limited group of banks
- Gaps in strategic planning of transmission grids in the coastal sea and onshore
- Complex and slow permitting procedures for windparks and grids

KFW Offshore Wind Programme: Objectives



- Acceleration of deployment of offshore wind parks off the German coast
- Understanding the technical risks of offshore wind in the financial sector
- Providing start finance to emerging German offshore wind sector by absorbing risks at commercial lending conditions
- Facilitate future autonomous private sector financing of offshore-wind projects
- Construction von up to 10 offshore windparks (approx. 4 GW capacity) in the German parts of the North and Baltic Sea

KFW Offshore Wind Programme: Key Facts



- Part of German Energy Action Plan – total of € 5 bln. loans provided by KfW
- Supports project financing either via intermediated or direct loans
- Individual intermediated KfW loan of max. € 700 million or direct loan as part of consortium of banks max. € 400 million per offshore wind park
- KfW share max. 50 % of loans
- Max. € 100 million for cost overrun facility per offshore wind park
- Loan duration < 20 years with max. 3 years free of payback
- Interest rate based on commercial conditions for project profiles
- Fixed interest rate for up to 10 years
- Cascade risk partnership between KfW, Special Fund & German government

Outlook

Summary

- Special Fund for Energy & Climate helps to mobilise additional public funding and risk bearing capacity in times of shifting policy priorities
- International part: innovation of instruments and cooperation modalities
- KfW Offshore Wind Programme: innovative risk partnership

Outlook

- Special Fund for Energy & Climate:
 - Secure future revenues and avoiding cannibalisation of regular budget
 - Effective and politically convincing promotional products
- National development banks (19 recently formed the IDFC group):
 - good re-financing conditions, risk tolerance, public trust
 - important role as anchor investors in combination with commercial banks

Thank you for your attention!

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