

»» Mobilizing Private Sector Investment: KfW Case Studies and Conclusions

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Bank aus Verantwortung

KfW

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»» About KfW Group

- Development bank of Germany
- Founded in 1948 for implementation of the Marshall Plan
- Today, over 5000 employees

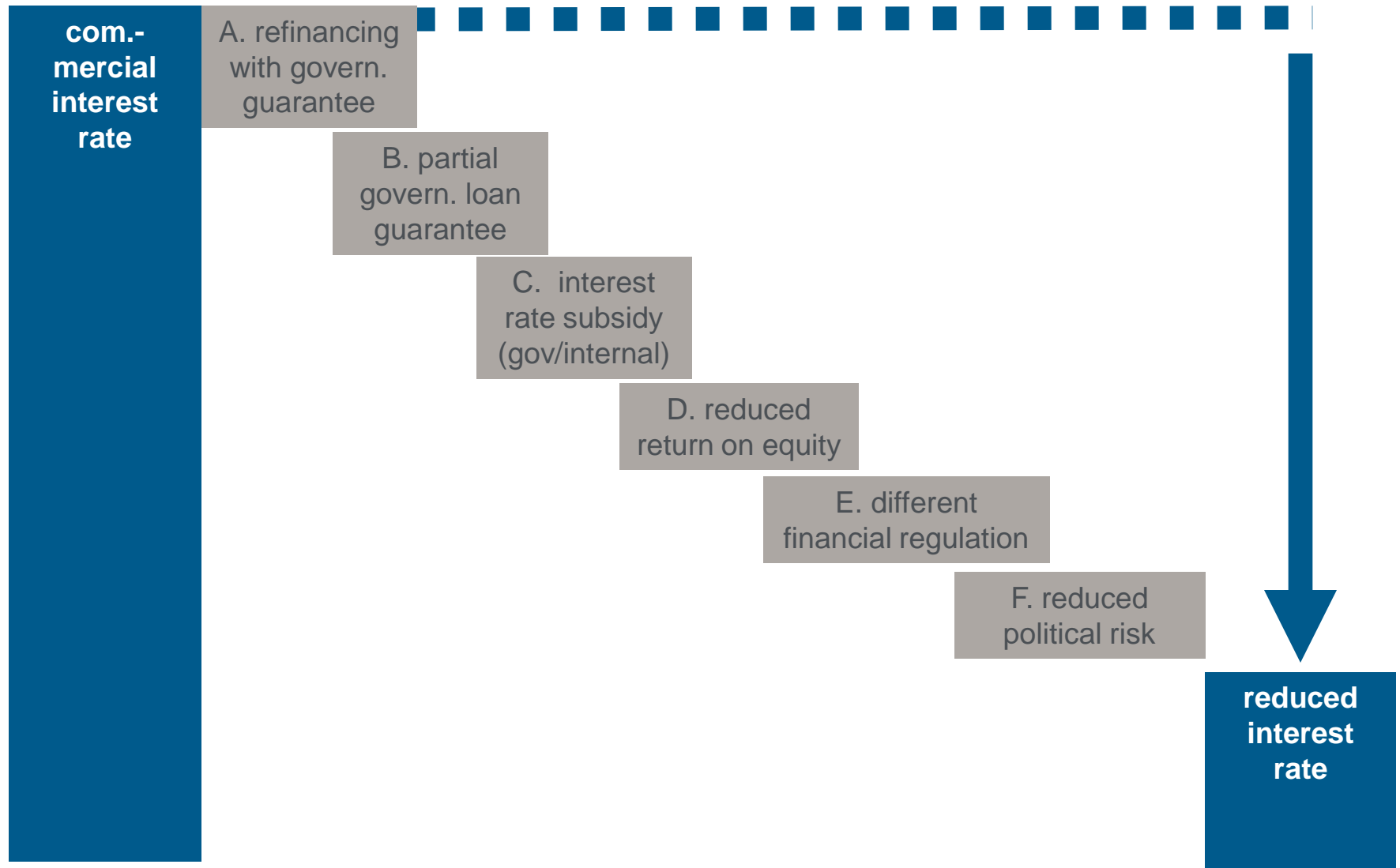
- Main tasks:
 - Financing investments in Germany & Europe
 - Providing international project & export finance
 - Supporting developing countries

- USD 91 bn. new commitments in 2012
 - thereof USD 37.8 bn for renewables, energy efficiency & environment
 - thereof USD 4.4 bn in developing countries

- Grants, concessional and commercial loans, mezzanine and equity finance



»» Enablers of Concessional Loans





»» Case studies domestic portfolio

»» Energy Efficient Building Program: Design elements

Higher energy efficiency results in better loan conditions

**New buildings:
Energy-efficient
construction**

**Building stock:
Energy-efficient
rehabilitation**

- promotional loans
- max. 50.000 i.e. 75.000 EUR per housing unit
- KfW-Efficiency House standard
- three i.e. five promotional stages
- partial debt relief possible
- grants as an alternative for owners of single and two family houses
- additional special support available

»» Energy Efficient Building Program: Performance data 2010

Direct program cost	EUR 1.4 bn
KfW originated loans	EUR 8.8 bn
Total investments	EUR 21.3 bn
Indirect public budget gain	EUR 4.0 – 5.8 bn

Benefits:

- Net gains to public budget
- Reduced energy costs and import dependence (heating costs reduced by EUR 6.2 bn)
- Significant greenhouse gas reductions: from 2005 to 2020: approx. 20 Mt CO₂ pa (- 3% of German GHG emissions)

KfW ➤ Significant employment effects in the construction sector

»» Offshore-Wind Program: Global Tech I, Germany

Financing of the **400 MW offshore** wind farm Global Tech I in the interest of the core sponsors Stadtwerke München, HEAG and EGL and other sponsors



The Challenge

- Largest ever offshore wind project financing
- Largest ever financing of Areva Wind M5000
- Demanding risk profile in view of, i.a., distance to shore and water depth

The Solution

- Club of 17 banks , incl. EIB
- Lending of KfW under offshore programme (EUR 280 mn) and IPEX commercial lending (EUR 50 mn)

- Loan amount: EUR 1,047 m

»» Offshore-Wind Programm: Meerwind, Germany

Financing of the **288 MW offshore** wind farm Meerwind for Blackstone



The Challenge

- First Offshore-Wind-Project Financing for Private Equity Sponsor
- Loan amount: ca. EUR 1.3 bn

The Solution

- Club with 7 commercial lenders and EKF
- Lending of KfW under offshore programme (EUR 264 mn)
- IPEX as technical bank (facility and security agent) and largest commercial lender (EUR 195 mn)



»» Case studies international portfolio:
IPEX bank

»» German ECA: Euler Hermes credit cover at a glance

- Eligible policyholders: German lending banks, certain foreign banks, and all German branch offices of foreign banks
- Object of cover: amounts owing (principal and interest) under tied finance credits
- Covered risks: political risks, commercial risks and protracted default
- Uninsured share: 5 % for all risks
- Costs: processing fees + premium
- ECA cover REN in 2011: EUR 1.2 bn
- Specific export initiatives for REN and EE
- ERP Export Financing Programme
 - finance German exports to developing countries
 - Implemented by IPEX

»» CSP Plant Shams One, 109 MW, U.A.E.



The Challenge

- Financing of the first CSP Plant in UAE and gulf region in general
- Large financing with a limited number of banks with both CSP experience and appetite for the region
- Total investment volume: EUR 725

The Solution

- Comprehensive technical and financial package,
- Club of ten local and international banks
- KfW IPEX-Bank ticket: approx. USD 88 m

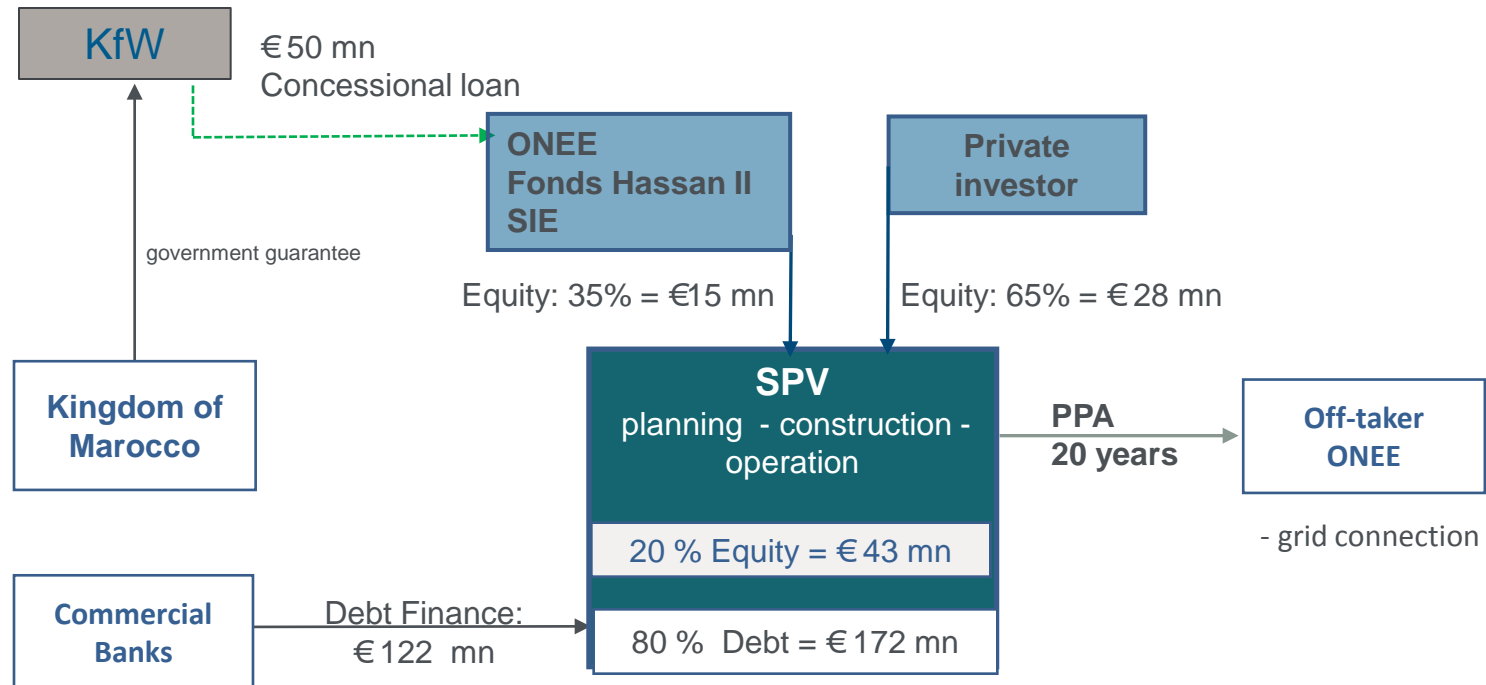


»» Case studies international portfolio:
Development Bank

»» Taza Wind Park, Morocco

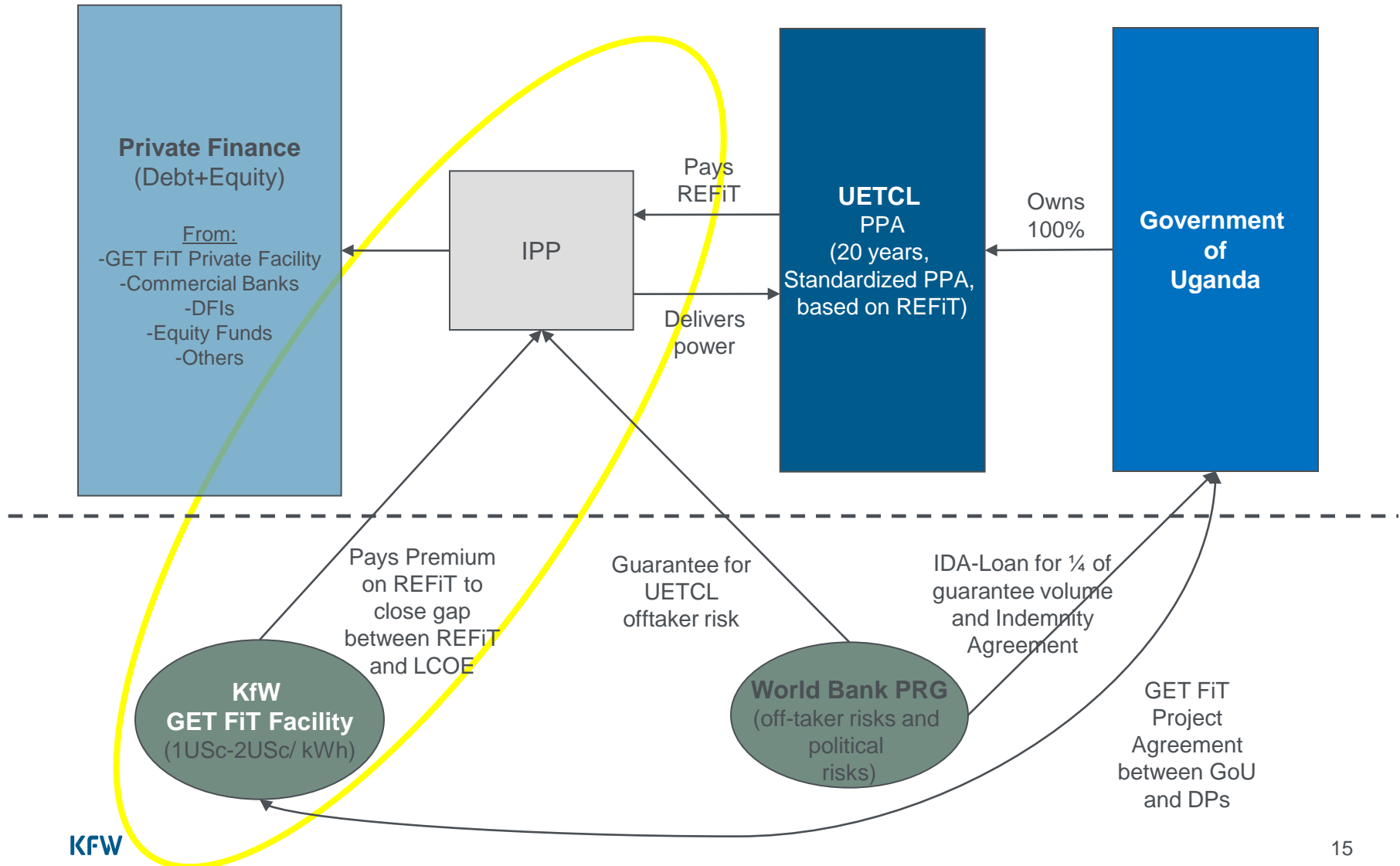
- Public Private Partnership

- Financing volume: EUR 215 mn (+ EUR 50 mn grid connection)
- 150 MW wind park
- Status: negotiations with preferred bidder
- Indicative project structure:

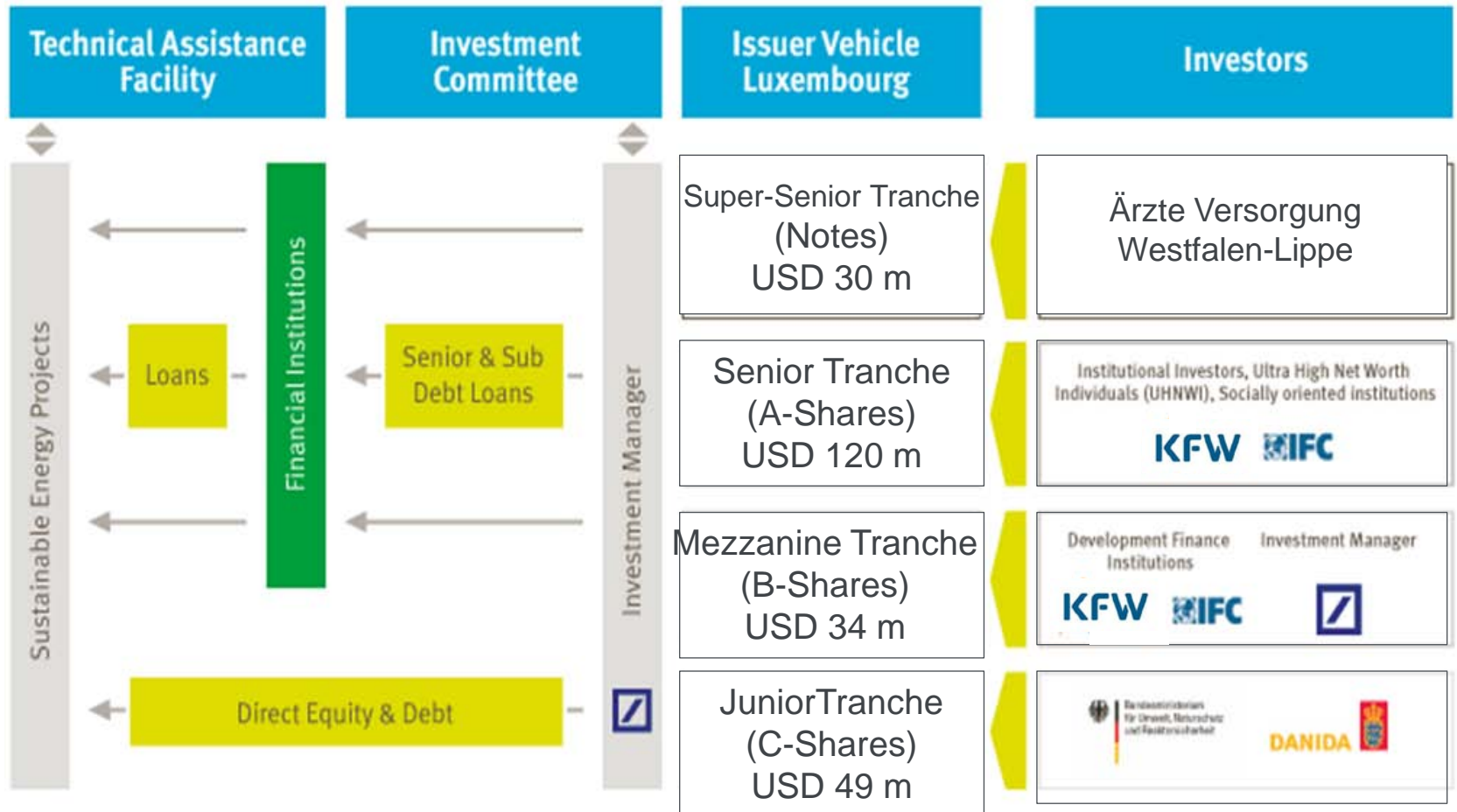


»» GET FIT, Uganda

- Feed In Tariff



»» Global Climate Partnership Fund (GCPF) - Structured Fund



- Present in 7 countries
- Targeted beneficiaries: households, home owner associations, leasing companies, SMEs and municipal entities

KFW

- USD 233 m commitments thereof USD 153 m already invested
- Public funds used on revolving basis, serving as risk cushion

›› IREDA Renewable Energy Credit Line, India

- Credit Line

- › 4th line of credit btw. KfW and Indian Renewable Energy Development Agency (IREDA)
- › Reduced interest loan of EUR 200 mn
- › Promotion of innovative REN business models
- › Ultimate borrower has to bring in min. 30% equity



- › General **leverage potential of credit lines on two levels** depending on the project design
 - a) local bank
 - b) ultimate borrower



»» Conclusions and considerations

»» **Conclusions: Mobilizing private finance**

- › **Guarantees and concessional loans** are the work horses of public climate finance to mobilize private finance
- › Grant finance is very unlikely to obtain comparable relevance
- › **Risk sharing** between manufacturers, sponsors, banks, insurers and governments requires **informed case-by-case decisions** within an defined set of rules (EU State Aid, WTO, OECD-Consensus)
- › **Common climate standards and ambition levels**: simple indicators, positive and negative lists
- › Economically attractive to focus on low risk projects in emerging & advanced developing countries
- › Missing energy access is often linked to high country risks; other approaches needed

»» Preliminary considerations: Reporting private climate finance

- › Expectations on future reporting guidelines:
 - › Cover bilateral and multilateral support
 - › **Pragmatic approach** (consider costs & benefits of additional reporting)
 - › **Avoid perverse incentives** (largest financial leverage \neq largest mitigation/adaptation benefit)
 - › Focus on **direct mobilization** and use a binary system with simple rules to define „mobilized“ (introduction of new policy marker (??))
 - › Decide on **conservative „scope“ of leverage** to generate robust results
 - › Link discussion to ongoing process to reform ODA definition in order to **use synergies and avoid parallel systems**

»» Thank you for your attention!

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