



# >>> Climate & Environment Protection – KfW Promotional Loan

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**KfW**

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KfW in Brief

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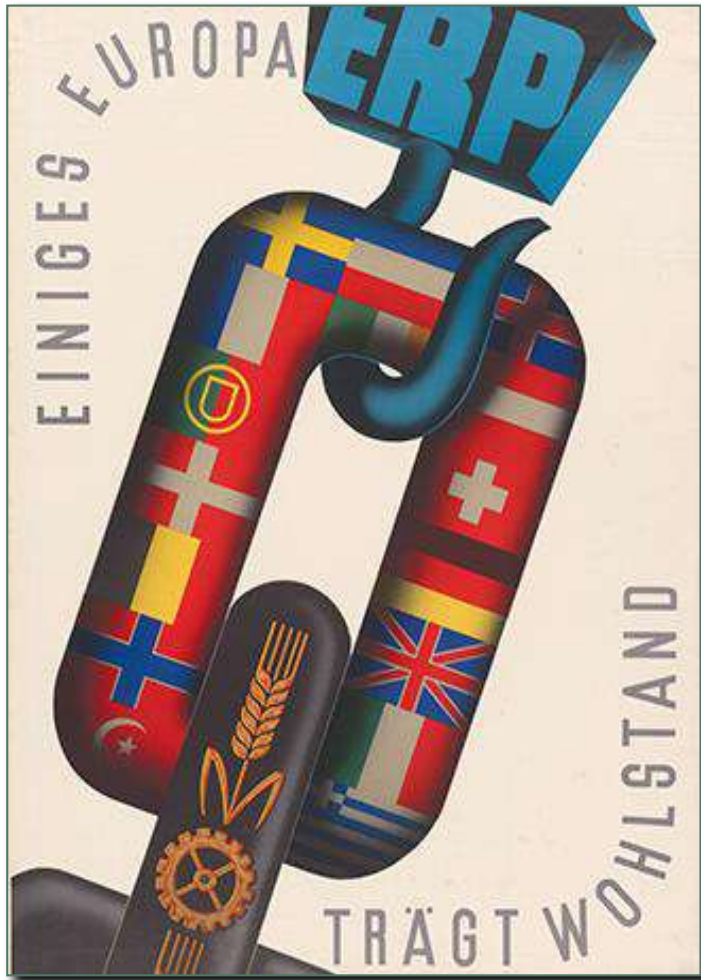
Sino-German Financial Cooperation Focus on Climate & Environment

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KfW's Practice in Air Quality Improvement in greater BTH Region

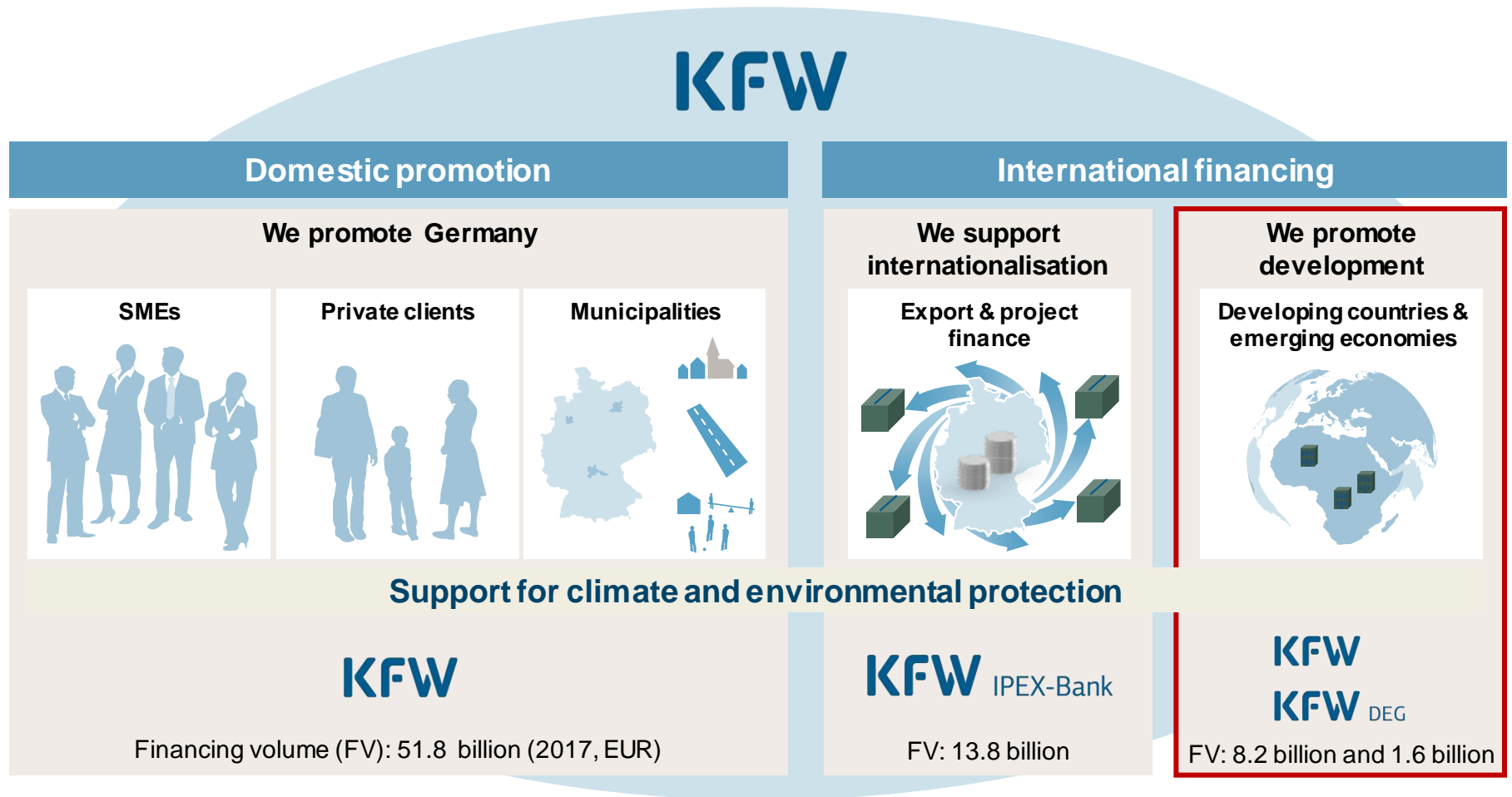
# >>> 70 years of KfW

## Financing with a public mission



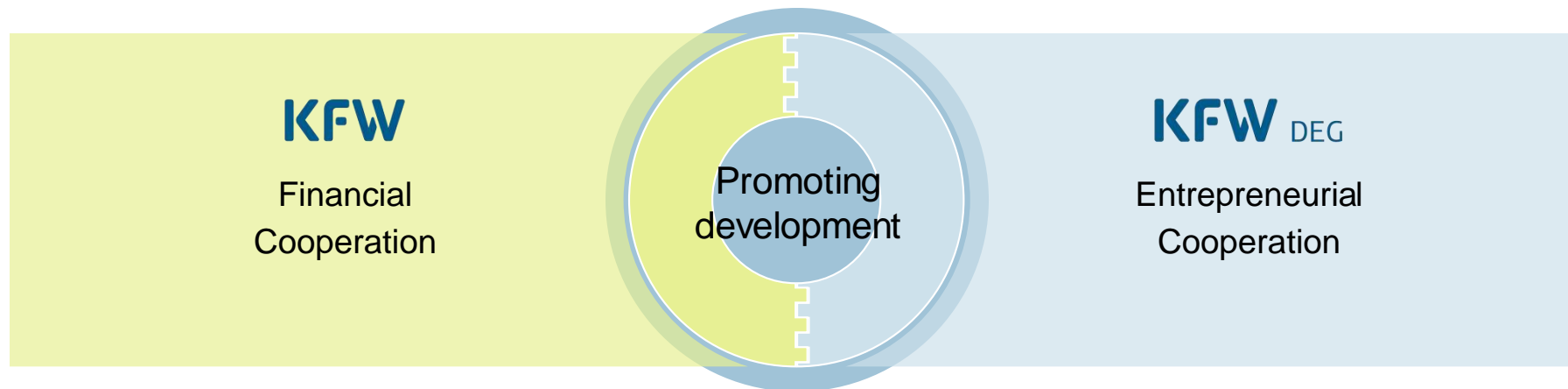
- › Promotional bank of the Federal Republic of Germany
- › Established in 1948
- › Shareholders: 80% Federal Republic, 20% federal states
- › Headquarters: Frankfurt am Main  
Branches: Berlin, Bonn and Cologne
- › Representative offices: about 80 offices and representations worldwide (among others in Beijing)
- › Balance sheet total 2017: EUR 472.3 billion
- › Financing volume 2017: EUR 76.5 billion
- › 6,113 employees (2017)
- › Best long-term rating: Aaa/AAA/AAA

# >>> KfW Development Bank as part of the KfW Group



# >>> Promoting development at the KfW Group

## Public Sector and Private Sector

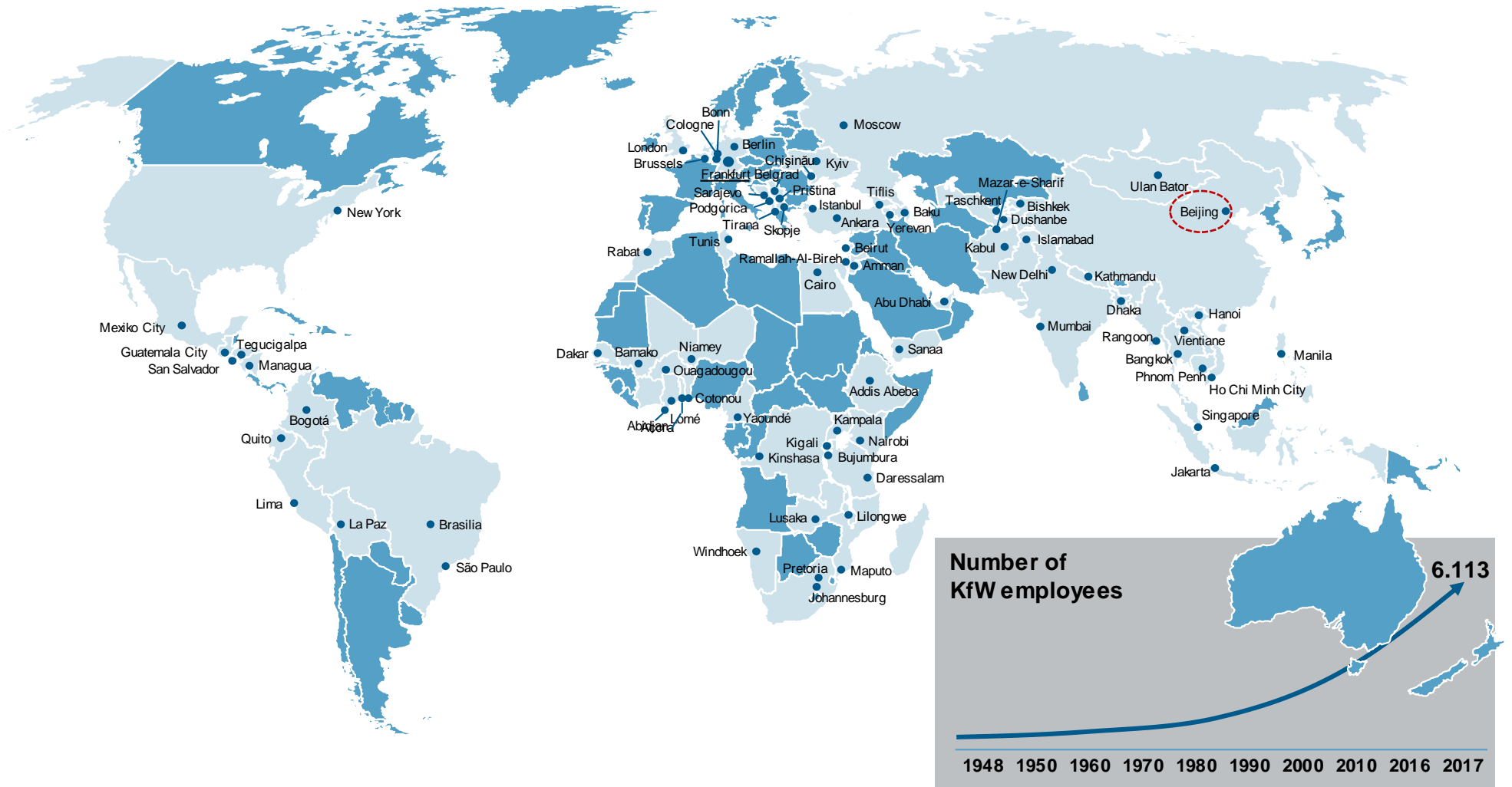


Governments and public companies	Partners/clients	Private enterprises
Fiduciary funds (German Federal budget) and own funds (capital market)	Funds	Mainly own funds
Grants and loans, as well as advisory services for project preparation and support	Instruments	Participations and loans as well as advisory services
EUR 8.2 billion	Volume of commitments 2017	EUR 1.6 billion
1985	In China since	1985



# >>> Worldwide presence

## About 80 representative offices



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# >>> Sino-German Financial Cooperation

## Cooperation for the benefit of both countries

**“The successful cooperation  
with KfW Development Bank in  
the area of Promotional Loans  
shall be continued to the  
benefit of both countries...”**



Prime Minister Li Keqiang and Chancellor Dr. Angela  
Merkel at the Sino-German Government Consultations  
Berlin, 9 July 2018



# >>> Sino-German Financial Cooperation

## Memorandum of Understanding (signed by MoF & KfW in June 2018)

Annual Commitment EUR 500 – 800 million for 5-8 projects (target), equals EUR 2 billion 2018-2020

Focus on environmental protection & climate change (in particular advanced and pioneering technologies)

Expand co-financing initiatives and RBL / PBL (e.g. with ADB, World Bank, AFD)

Close coordination between MoF and KfW (and NDRC) during project preparation and listing process

Study Funds (TA) for project preparation available, in particular related to environmental & social safeguards

Framework for pricing, procurement (ICB) and other terms and conditions as guidance for (potential) PEAs

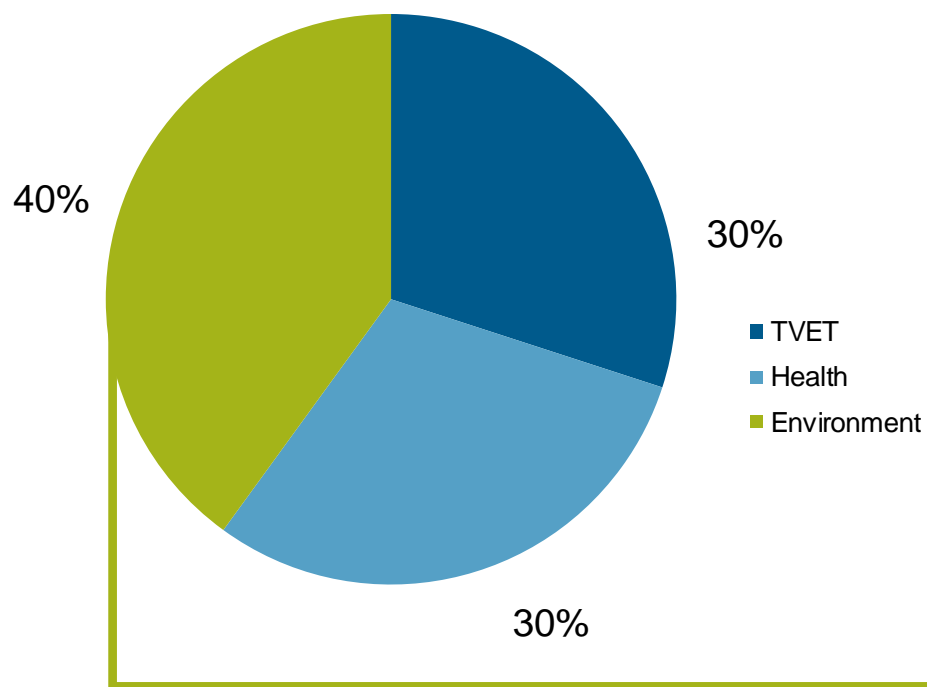
Dialogue Fora and Knowledge Sharing Activities remain integral part of Sino-German Financial Cooperation



# >>> Sino-German Financial Cooperation

## Portfolio Snapshot: Climate & Environment as Focus Area going forward

Total outstanding FC portfolio EUR 3.3 bn  
**Ongoing FC portfolio EUR 2.6 bn**



FC-funded projects  
(almost) all over China



Ongoing portfolio: 106 projects

New 2018/2019 projects: ~20 projects

Additional pipeline: 15 projects

**Total: ~140 projects**

Climate & Environment:

- Our key sector going forward
- Its share in total portfolio therefore to grow even further

# 》》》 Sino-German Financial Cooperation

## Focus on climate and environmental protection



**Clean Energy  
& Energy  
Efficiency**

**Natural  
Resource  
Management**



**Green  
Transport**

**Waste Water &  
Waste  
Management**



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# »»» Building Knowledge Sharing Platforms

## Sino-German Dialogue Forums



- KfW/MoF-coorganized Dialogue Forums on Clean Air (Sep. 2016), Environment and Climate Change (Jun. 2018)
- Forum opening by BMZ and MoF
- 200 participants -> outreach and visibility
- Exchange of knowledge and technology



- MoU signed by BMZ Minister Müller and Chinese Minister of Finance (July 2018)
- Strong political basis for Sino-German Financial Cooperation
- Emphasizes financing of climate & environmental projects (Promotional Loans) and knowledge sharing



- Training Seminars for MoF/BoF in KfW
- Knowledge sharing about e.g. environmental & social safeguards, procurement procedures, compliance standards, transparent utilization of funds, disbursement procedures, etc.





# »» Promoting Policy Reforms with Innovative Loan Modalities

## Air Quality Improvement in the Greater BTH Region

### Challenge

- › Imbalanced socioeconomic structure in the BTH region has made Hebei the main source of air pollution
- › Cities in the greater BTH region rank the highest in the country for PM 2.5.

### Approach

- › PBL oriented towards achieving three comprehensive results.
  - policies to reduce air pollution from key sectors.
  - strengthening the environmental policy and institutional framework for implementation
  - policies to promote employment for inclusive industrial transformation

### Impact

A first indicative impact assessment (July 2018) assumes that the envisaged results led to

- › significant annual reduction in coal consumption
- › significant annual reduction in pollutant emissions
- › improved access to cleaner energy and heat sources
- › facilitated reemployment and redeployment opportunities for affected workers



### Information

- › 1<sup>st</sup> Policy Based Lending and 1<sup>st</sup> Co-Financing by ADB and KfW in China

#### Volume of financing:

150 million Euro

#### Financial Instrument:

Promotional Loan as Co-Financing with ADB



# >>> Building Environment Friendly Waste Treatment Facilities

## Beijing Nangong Waste Incineration Plant

### Challenge

- › Rapid extension of urban development in southern part of Beijing and general high generation of municipal waste per capita;
- › High demand on waste reduction and hygienization

### Approach

- › Construction of 2\*500t/d waste incineration lines in southern part of Beijing, Emission EU 2000 is reached;
- › Promotional loan covers main equipment (i.a. from Germany) and international consulting service;
- › Wastewater, flue gas and fly ash are treated properly.

### Impact

- › 1000t/d waste is treated environmental friendly and volume is significantly reduced;
- › The goal of environmental and resource protection is achieved;
- › Integrated SWM is applied for project conception. Pre-Sorting Station separates fractions below and above 80mm. Organic waste is treated separately;
- › Great contribution to CO<sub>2</sub>-reduction (650.000t equiv.)



### Information

- › Nangong Waste incineration plant serves for Xicheng, Dongcheng and Daxing with more than 2.4 Mio population;
- › Energy generation is 15-25MW;
- › In operation since 2017 with excellent performance
- › Site visits by several high-level delegations from Germany

### Volume of financing:

55 million Euro

### FC Financial Instrument:

Governmental Loan

# >>> Establishing Modern Centralized Heating Systems

## Fuel switch from coal to clean energy, demolishing scattered coal boilers

### Shandong and Shanxi

#### Challenge

- › Rapid urbanization
- › Percentage of the population living in cities increased
- › High demand for energy in urban areas
- › Increased expectations in terms of mobility and comfort

#### Approach

- › District heating networks (components for heating plants, pipes and heat exchanger stations) were upgraded and extended
- › Old and decentralized heating boilers were replaced with new centralized and more efficient district heating systems

#### Impact

- › Increased efficiency of heat supply due to centralized district heating network
- › Increased energy efficiency in new buildings
- › Significant savings and CO<sub>2</sub> emissions
- › Direct positive impact on public health as waste material is filtered more effectively



#### Information

- › Overall rating of the ex-post evaluation in 2016: good

#### Volume of financing:

49.5 million Euro

#### Financial Instrument:

Composite financing

# »»» Enhancing TA Supports and Cooperation with Partners



## Basic Info:

- › Delegation Agreement (EU and KfW) and MOU (MoF and KfW) signed in Aug. 2018.
- › CGCDF is a TA facility and aims at supporting Chinese cities in developing bankable, environment-friendly, socially responsible urban infrastructure Investment Projects.
- › Approved total funding of EUR 5.0 million for technical advisory services and relevant studies of urban investment projects with a green edge.
- › Implementation period: 22.02.2018 – 21.02.2022 .

## Eligible Activities:

- › Technical studies & advisory services during the preparation of investment projects.
- › Environmental and Social Impact Assessments and management plans & further related studies.
- › Advisory services and technical assistance during implementation.
- › Knowledge dissemination, e.g. conferences, etc.
- › Communication /visibility activities linked to CGCDF.
- › **CGCDF funded activities have to be clearly linked to the preparation or implementation of investment projects which are intended to be financed/co-financed by KfW.**

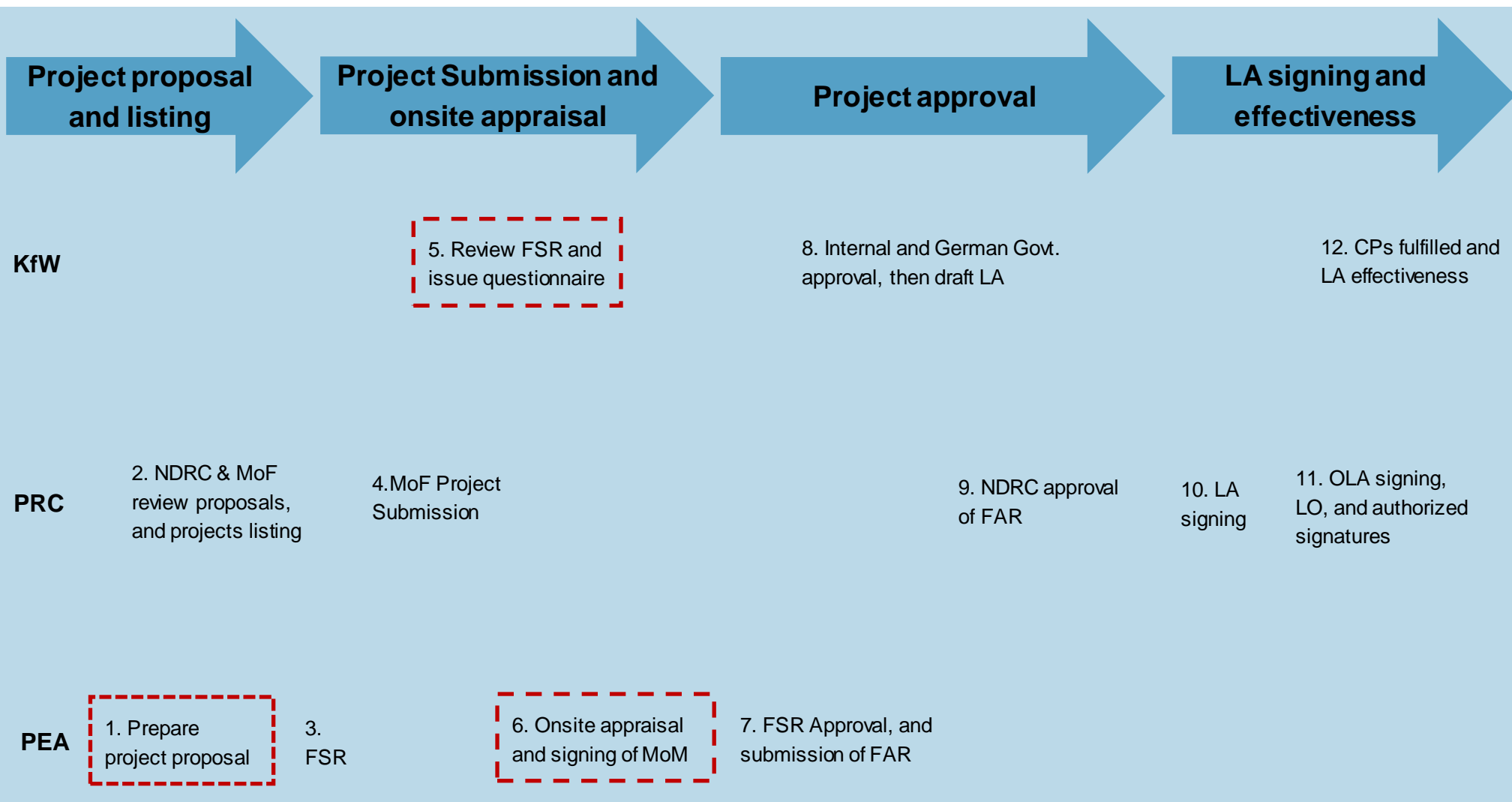


# Thanks for your attention!

# »»» Back Up

# >>> Sino-German Financial Cooperation

## Procedures for (bilateral) Promotional Loans (Overview)



Support through TA Funds available (in particular related to environment & social safeguards)



# >>> Sino-German Financial Cooperation

## Broad Terms and Conditions of Promotional Loans (ODA)

Loan Amount	Generally in a range between EUR 50 – 200 million
Maturity / Grace Period	Up to 15 years (incl. up to 5 years grace period)
Interest Rate	<p><u>Floating interest rate</u>: 6-months EURIBOR plus different margins:</p> <p>0.75%     Loan less than EUR 50 million</p> <p>0.55%     Loan less than EUR 100 million and more or equal to EUR 50 million</p> <p>0.50%     Loan of EUR 100 million or more.</p> <p>upon request changeable to a fixed interest rate after full disbursement</p> <p><u>Fixed interest rate</u>: KfW refinancing cost plus different margins:</p> <p>0.65%     Loan less than EUR 50 million</p> <p>0.45%     Loan less than EUR 100 million and more or equal to EUR 50 million</p> <p>0.40%     Loan of EUR 100 million or more</p>
Commitment Fee	0.25% p.a. on the undisbursed loan amount
Management Fee	0.25% to 0.45% depending on the loan size