Innovative policies and financing instruments for the EU's southern and eastern neighbours Ministerial Conference under the German Presidency of the EU.
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ENTWICKLUNGSBANK

Description of KfW development bank

KfW Entwicklungsbank (KfW development bank) finances investments, structural reform and complementary consulting services in developing countries. It also participates in joint financing operations with other development organisations. This way it contributes to meeting the Millennium Development Goals and acknowledges the need for efficient development cooperation.

KfW Entwicklungsbank works on behalf of the German government, represented by the Federal Ministry for Economic Cooperation and Development (BMZ). It is committed to the primary goal of German development cooperation, which is to sustainably improve the economic and social conditions of the people in developing countries. With its Financial Cooperation (FC) it contributes to poverty reduction, securing peace around the world, promoting democracy, shaping globalisation and protecting the environment.

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Battling against poverty

Readily available and affordable energy is not a luxury in developing countries but a basic precondition for overcoming poverty. Modern energy supply is a key factor for successful economies. To ensure that growth is environmentally friendly, efficient use must be made of existing fossil energy resources and the exploitation of renewable energy sources expanded.

Poor people in developing countries generally have insufficient access to modern sources of energy – at the cost of their health, education and social participation. Around 2.5 billion people, primarily in the rural regions of Africa, Asia and Latin America, still depend on biomass – in other words, firewood, agri-residues and dung – for cooking and heating . Women and children, in particular, have to travel further and further a field in search of fuel. This is a waste of valuable time which could otherwise be used for gainful work, childcare, education and training, or other social and cultural activities. What is more, according to WHO estimates, as many as 1.5 million people – mainly women and children – die each year in developing countries as a result of inhaling the smoke produced by traditional biomass burning in their homes. The large amount of traditional fuel needed is also a direct cause of massive erosion and environmental damage. Many of these problems can be eliminated – for example, by providing poor households with access to modern, environmentally friendly forms of energy or by enabling them to use energy efficient stoves or even small biogas generators.

Connecting homes to the grid is not one of the Millennium Development Goals (MDGs), through which the United Nations has established the priority objectives of poverty reduction. However, there are many indications that in order to achieve the goals – by 2015 at the latest, as promised – investment in energy supply is particular significant.

- If poverty and hunger are to be halved (MDG 1), productive jobs need to be created. However, productivity is invariably dependent on the use of energy.
- If the aim is for all children to learn to read, write and do arithmetic (MDG 2), improving the energy supply in schools will help to boost pupil numbers and to stop the migration of teachers from remote areas.
- If women are to enjoy social equality (MDG 3), their workload in the family and the home needs to be eased. Street lighting also makes things safer for them.
- If infant and maternal mortality rates are to be reduced (MDG 4 and MDG 5) and the harm caused by AIDS, malaria and tuberculosis is to be halted (MDG 6), the health care facilities in many countries must be improved. Without a reliable supply of electricity, there is no way to keep medicines and vaccines cool, to sterilise instruments, or to take advantage of electrical apparatus and lighting.
- If environmental sustainability is to be ensured (MDG 7), there is no way around efficient energy generation and use or the implementation of renewable energies.

According to expert assessments, two billion people are without access to modern, clean energy. This figure alone shows how great the need for action is. What is more, global energy consumption will probably increase by 50% until 2030, particularly because the world population is still growing but also because a number of developing countries are catching up economically. We are not just talking about China and India, although these two billion-strong nations have a particular weight because of their vast size.

If the global climate is to cope with this economic growth, additional emissions of carbon dioxide must be avoided. As carbon dioxide is produced by burning oil, coal, gas and biomass, it can only be reduced if future energy supply has two mainstays.

First, more efficient use must be made of existing sources of energy. In many developing countries greater energy efficiency has a double benefit – energy and costs are saved and, at the same time, growth is promoted. Development can thus be furthered, poverty reduced and the environment improved.

Second, to ensure the sustainability of the energy supply, greater use must be made of renewable energies. At present, renewable sources of energy – water, wind, sun, biomass and geothermics – account for no more than around one-seventh of global consumption but their role is set to expand strongly in the future. Although renewable energies are today frequently more expensive to use than conventional technologies, costs can be reduced through large-scale production or further technological developments.

Especially for people in sparsely populated rural areas in developing countries decentralised systems are an alternative to being connected to the electricity grid. If these systems use renewable energies, they are also unaffected by fluctuations in the price of fossil fuels in the global market. However, the cost of investing in such decentralised systems is high and out of the reach of poor families unless they have support. Special approaches are currently needed to promote renewable energies. Development finance at favourable conditions makes them far more competitive. To date substantial progress has been made in the areas of wind and solar energy. Nowadays, biogas installations and photovoltaic systems are already cost-efficient alternatives in remote regions where a grid connection would be too expensive.

Photo: KfW

The following figures illustrate how important this task is to KfW Entwicklungsbank. In 2005 it was one of the three main financiers of regenerative energies in developing countries. Between 2001 and 2005 it provided EUR 1.4 billion on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) to finance measures to increase energy efficiency and to promote the use of renewable energies in developing countries. Roughly 45% of this financing volume was accounted for by renewable energies from wind, water and solar power, biogas and geothermal heat.

Nevertheless, the partner countries must support the level playing field for both, renewable energies and fossil fuels. After all, fossil fuels such as coal are still subsidised in many countries. KfW Entwicklungsbank therefore provides advice to partner countries to introduce market-oriented framework conditions in the energy sector.

Policy objective
Climate friendly energy supply

Last autumn, when the British economist Nicholas Stern presented a study on the disastrous effects of global warming on the global economy, Heidemarie Wieczorek-Zeul, the German Federal Minister for Economic Cooperation and Development, called it a “wake-up call for the world”. “The message is clear,” the Minister added. “From an economic perspective, too, the best thing is to do all we can to counter global warming now rather than pay for the damage later on.”

The promotion of renewable energies and energy efficiency has long been a key component of German development policy. EUR 400 million have been allocated in the 2007 budget. In poorer countries, renewable energies are one way in which domestic energy generation can help to reduce expensive oil imports. Without energy there can be no economic development and without economic development poverty cannot be reduced. Therefore, the German Federal Ministry for Economic Cooperation and Development (BMZ) attributes great importance to developing reliable energy supply systems.
www.bmz.de

Source: Roland Bunzenthal from FC Paper February 2007 in cooperation with “development cooperation”

Interview with Ms. Doris Köhn, Senior vice president Europe, Middle East and North Africa

“Investments in new technologies and clean energy will ensure the future of generations to come.”

KfW Entwicklungsbank (KfW development bank) supports partner countries in achieving sustainable energy systems.

Ms. Köhn, the use of renewable energy and the enhancement of energy efficiency are strongly promoted by the German Federal Government. Which role does KfW play?

The international conference “Renewables 2004” in Bonn and the fact that oil prices are steadily on the rise have further increased the awareness of the difficulties we are all facing in order to ensure a sustainable energy system in this world. Following the conference China, for example, has announced that it aims at covering 15 percent of its energy consumption by 2020 from renewable energy sources. On its part, the German government has charged KfW with setting up a Special Facility for financing Renewable Energy and Energy Efficiency projects. In addition to the one billion Euro pledged by the German Government at the 2002 Johannesburg Summit, KfW contributed 500 million Euro to the facility for the period 2005-2009 for projects related to renewable energy and energy efficiency in developing countries.

What exactly is this Special Facility?

Investing in new technologies to improve energy efficiency and to erect renewable power production plants is costly. From a mere economic point of view there are obvious cost disadvantages both for developing countries and emerging economies. The Special Facility was set up precisely to compensate for such disadvantages. The Facility is meant to assist partner countries with the financing of investments in Renewable Energy and Energy Efficiency. At present, the facility has provided finance to nine projects in countries as diverse as Morocco, Azerbaijan, India, Brazil, Chile, the Ukraine and Montenegro. But the projects themselves are also quite different. A photovoltaic energy project in Morocco, for example supplies 37.000 households in rural areas with electricity through so-called solar home systems. In Azerbaijan the transmission stations are being upgraded to reduce the recurring power cuts that hamper the economy. And in Montenegro the KfW-administered facility co-finances the rehabilitation of the Piva hydropower plant, which will supply ecologically sound, reliable and cost effective electricity for the next 25-30 years.

Owing to the great demand from partner countries, only two and a half years after the launch of the Special Facility the German Federal Ministry of Economic Cooperation has already committed 300 million Euro instead of the planned 200 million Euro. For the coming years we expect continued strong demand. Numerous project proposals have been received and are currently reviewed by KfW.

Renewable Energy or Energy Efficiency – which should be primarily promoted?

Definitely both. Both aspects are equally important as both have positive effects on the economic and social development of developing countries and on our environment. The decision to invest in renewable energy or projects meant to enhance energy efficiency depends on technical aspects as well as on financial aspects. Each project proposal must be reviewed carefully and individually.

How does climate change relate to all this?

Due to a growing world population and rapidly rising living standards, worldwide energy consumption will increase dramatically in the years to come. Greenhouse gas emissions and other adverse effects on the environment are likely to increase even further. To protect the environment and to prevent climate change to the extent possible it is obvious that we need to adapt our energy systems worldwide. It is indispensable that we improve the efficiency of generating and transmitting electricity as well as of energy consumption patterns both in industry and private households. A more efficient use of the scarce commodity energy is urgently called for.

At present industrialized countries account for around 70% of energy consumption, but more than two-thirds of the increase in world primary energy demand will come from the developing countries. That has mainly to do with higher mobility. Thus the transport sector will be especially accountable for a sharp rise in climate-damaging emissions. Rising demand for oil and gas, however, will increase their price. There are thus clear incentives for developing countries and their consumers too to adapt their fuel consumption patterns and to save energy, both of which in turn will help to reduce the strain on the environment. The transport sector offers various possibilities to do this: one is to promote public transport, of course, and another one is to change the energy mix, in other words to increase the share of renewable energy sources in fuel consumption. Using either ethanol or bio-fuel in the form of bio-diesel from agricultural production reduces the need for fossil fuels. And moreover, this can be cost-effective too. Brazil, which is already widely using ethanol as fuel, is an excellent example for this approach.

In your personal opinion, is there enough political commitment to adopt new approaches in energy policy?

Certainly many countries are fully aware of the challenges we are facing globally. To name just two examples: China and India, which together account for 40% of the world's population, are working out new strategies to diversify their energy systems. Both countries show a positive approach towards the use of renewable energy and are equally interested in enhancing energy efficiency. India has – for example - tendered for projects constructing modern and clean coal (thermal) power plants. Obviously these are expensive to install but far more efficient in their output and less damaging to the environment.

How about less advanced developing countries?

It is true that many of the poorer countries still lack both the necessary awareness and the means to change their energy consumption patterns. But one has to consider that at this point in time these countries only contribute marginally to the global emission of greenhouse gases, nonetheless suffering from its negative impact, the change of world climate. For these countries it might thus seem more important to reduce their dependency on oil imports and thus lessen the strain on their expenditures than to reduce emissions. Sub-Sahara Africa, for example, has great potential in renewable energy sources such as water, biomass and wind, which is hardly yet tapped. Using the abundant sun's energy to generate power is another good option in Africa to reduce dependency on fossil fuels.

Many developing countries suffer from rising oil prices. Making use of renewable energies should be a logical response. What is your experience?

It is actually true that rising prices for oil are a special burden for economies in those developing countries without own energy sources. The price of a barrel of crude oil has risen within four years from 18 US Dollars to over 65 US Dollars and the additional costs for these countries in the meantime more than offset total ODA (official development assistance) by the donor community. Rising costs for the import of oil, of course, have a negative impact on the balance of payments, inflation, economic growth and external debt. The additional strain on the national budgets might lead to a decline of urgently needed investments in the health and education sectors. Drastically speaking rising oil prices counteract the fight against poverty.

For the individual households rising oil prices mean higher costs for transport, electricity and various other associated products. Decision makers in countries affected by high oil prices face serious challenges regarding their energy policy.

What exactly do you mean?

Often, fossil fuels are subsidised, seriously distorting markets and leaving renewable energy sources at a disadvantage. I am convinced that subsidizing energy is leading into the wrong direction. Here, political solutions are needed and policy makers should aim at establish fair conditions on their countries' energy markets. Of course it is extremely difficult to explain to the public the need to cut subsidies for a basic good such as energy - protests in Indonesia, Thailand and India not too long ago have shown that there is little acceptance for higher prices for energy. Nonetheless I think that, where ever possible, we need market conditions to prevail in order to ensure a shift towards sustainable, affordable and environmentally friendly energy consumption patterns.

What would be the results?

Both the industrialized and the developing countries need to enhance the efficiency of their energy usage, all the way along the line from the primary generation of power up to the end user. One way to enhance efficiency on the user end are market conditions, meaning cost-covering tariffs for energy because they are a clear incentive for consumers to save energy. At the producing end, increasing the percentage of "modern" renewable energy sources in the energy -mix makes a lot of sense. The exploitation of renewable energy is based on modern and progressive technologies. Modern, environmentally friendly technologies that are highly efficient in their output must replace forms of power generation that are less efficient and detrimental to both the environment and the global climate. Ultimately, increased demand for renewables and technological progress will also result in a drastic fall in infrastructure costs for these technologies. At this point in time many renewable energy plants (except water) are still comparatively expensive. But this is changing rapidly. With its many years of experience in the financing of energy projects, KfW can assist developing countries in improving their energy mix and promoting energy efficiency. KfW is the world's second largest lender for projects that promote the use of renewable energy in developing countries. And there can be no doubt that KfW as the "environment bank" of the German Federal Government will continue to pursue this path. After all, investments in new technologies and clean energy are essential to ensure the future of generations to come.

KfW Financing options

KfW Entwicklungsbank promotes innovative models in developing countries

Nature has a virtually unlimited supply of renewable sources of energy – sun, wind and water. Nonetheless, they have so far only provided just under 14% of global energy needs. Fossil fuels – particularly oil and coal – are still the front-runners although they are harmful to the environment and exhaustible. We need to do some quick rethinking.

According to estimates by the International Energy Agency (IEA), global consumption of primary energy will rise by almost half as much again between now and 2030. Today the industrialised countries account for a share of 70% of global energy consumption. Consequently, they also emit most carbon dioxide, a by-product of burning fossil fuels that is disastrous for the climate. The wealthy nations therefore need to set a good example. However, developing countries also need to play their part as their energy needs are growing. More than 70% of the anticipated increase in consumption up to 2015 will be attributable to developing countries, with 30% coming from China alone.

KfW Entwicklungsbank is therefore supporting specific projects to promote the use of renewable energies in various countries and provided a total of EUR 650 million for this purpose between 2001 and 2005. Almost 50% of the total funding commitments for energy projects were channelled to this area.

Renewable options

Wind power in Morocco

By 2010 Morocco aims to be covering 10% of its energy needs from regenerative sources. The intention is for this figure to be doubled by 2020. To date, however, the country is importing most of the energy that it consumes.
Wind is a very promising resource, as was shown in the 1990s by a wind atlas for Morocco compiled with the support of Germany. The first large wind plant in Morocco was built in the northern Riff Mountains.

Photo:KfW

The Tangier Wind Park is located roughly 15 kilometres south-east of the city of Tangier. It has a capacity of 3.5 megawatts and was connected to the grid at the end of 2000. It was the pilot project for other plants. The aim is for Tangier II to achieve an output of at least 140 megawatts. Once its huge rotors start to turn in 2007, the Essaouira Wind Park on the Atlantic coast will have a capacity of more than 60 megawatts and provide 50,000 households with electricity. It also contributes to climate protection as it avoids more than 140,000 tonnes of carbon dioxide each year and other harmful substances produced in conventional electricity generation.

Source: Petra Meyer from FC Paper February 2007 in cooperation with “development cooperation”

Wind power: Egypt's best bet

Thermal power plants account for 80 % of Egypt's electric energy supply, the remaining 20 % being produced in hydropower plants along the River Nile. In order to meet the country's rapidly growing demand for energy, the Egyptian government is planning to increase the share of renewable energy sources in its energy mix. On behalf of the Federal Ministry for Economic Cooperation and Development, the KfW development bank is helping the Egyptian side build a huge wind farm along the shores of the Red Sea. Due to the local wind conditions, the region around Zafarana is considered one of the best sites worldwide for wind power. When completed, the Zafarana wind farm is to produce a total output of 600 MW, enough to supply 170,000 Egyptian households with electricity. The German government is contributing a total of 149 million euros in four phases. The first three phases, which have produced a total output of 80 MW have been completed. The fourth phase is to generate another 80 MW output. The German contribution alone will help to save 110,000 t of CO2 emissions every year.
Within the framework of the KfW Carbon Fund, an Emission Reduction Purchase Agreement has been concluded with Egypt for the period 2008 – 2012. The additional revenue will help ensure the sustainability of the project.

Source: BMZ TOPICS Renewable Energies in German Development Cooperation

Project example: Solar Power for Rural Areas in Marocco

After sunset, darkness settles in Fatima Boutirte's hut. Only candles and torches emit some light. Twice a month, when the batteries are empty, her husband Mohamed Bouchal heads for town to have them recharged. That not only takes time, it is also costly.

In Morocco, it is mostly the towns and cities that have electricity. Only rarely do power lines reach into rural areas, where half the population lives. With the aid of German cooperation funds, Morocco's government therefore plans to extend the electricity grid into almost every corner of the country by 2010. But rural settlements are widely dispersed. Their connection to existing electricity networks is only a medium to long-term prospect. The aim is therefore for solar home systems to ensure at least a basic supply of power for energy-saving light bulbs, black and white television sets, radios and mobile phones.

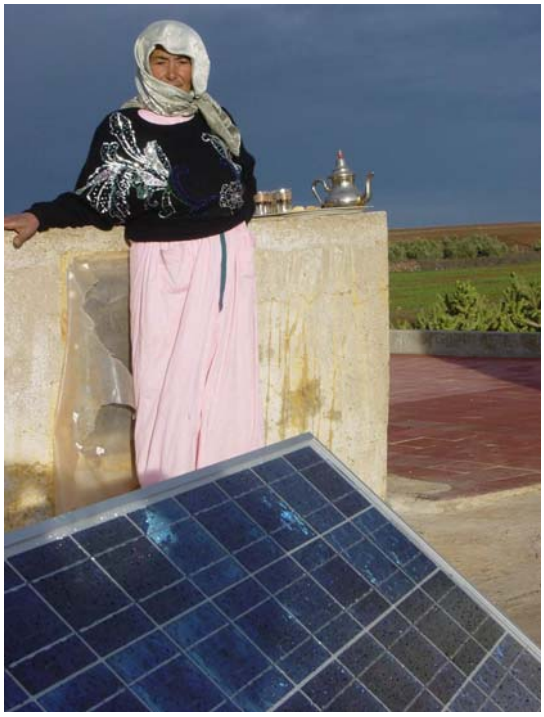

Photo: KfW

On behalf of the BMZ, KfW Entwicklungsbank is providing Morocco with a total of around EUR 15 million in support in this programme. The equipment is assembled ready-to-use and with a functional warranty. The families bear half the cost, which they repay over ten years. The monthly lease rate includes maintenance and repairs. After ten years they are allowed to keep the equipment as their own.

Solar energy has changed many things for Fatima Bourtite as well. "Life is now a bit easier for us," the farmer said. "My children can now do their homework better with light, and I can knot rugs in the light of the energy-saving bulbs to improve our household income." Before the sun brought light into her hut in the evenings as well, she could only work on them during the day alongside the field work and housework. With German support 16,000 households have now been equipped with solar systems and a further 37,000 are scheduled to follow by 2010.

Power efficiency

Georgia - Improving Energy Efficiency in the Power Distribution System

The social situation of the population in Georgia worsened dramatically in the years after the country gained independence in 1991. The gross domestic product declined by 70%. The country has been recovering gradually since 2000. However, official statistics estimate that still about half of the Georgian households are living below the poverty line, almost 15 % under the extreme poverty line. One of the main obstacles for further growth in Georgia has been the lack of a continuous and stable power supply. Due to obsolete network facilities and insufficient maintenance almost the entire chain of power supply used to be, and partly is, in poor condition. Particularly in winter season, the system has not been able to cover fully the demand from domestic sources. Georgia is therefore depending from gas and electricity imports. In the last few years, though, substantial improvements took place as the combined result of rehabilitation programs funded under German Financial Cooperation and by other donors and a government policy geared towards reform of the power sector and the transformation of the power utility companies.

Photo: KfW

Electricity supply in Georgia was until recently characterized by a very low collection efficiency of around one third. Recently, though, the collection rate at some distribution companies has improved now standing close to 100 %. This has helped alleviate the hitherto poor liquidity situation of all electricity suppliers and contributed to the privatization of the major regional distribution company. The power distribution companies play a key role for the liquidity situation of the whole sector as they are the collectors at the customers' level. Among the principal constraints to an improved fee collection and an enhanced power consumption pattern is the lack of functioning electric meters: In the absence of meters, electricity consumers are charged flat rate tariffs regardless of their actual consumption. Where meters exist, almost all of have exceeded their service lives, and two thirds have been manipulated so as to show up to 70% lower electricity usage. There were no incentives to any customer to economize on the power consumption, leave alone saving energy.

Therefore the Georgian Government started to attach high importance to the improvement of the power distribution and the enhanced energy efficiency in the power supply system.

KfW Entwicklungsbank, on behalf of the German Federal Government, funds with EUR 25 Mio a major rehabilitation program of the biggest Georgian power distribution company. At the center is the installation of new and well maintainable electric meters. Under the program, more than 120.000 electric meters are presently being installed. In addition, part of the power distribution facilities are being renewed or repaired. As result of the programme the majority of the costumers will be equipped with durable meters which cannot be manipulated. These enables the company to accurately measure and to bill the current electricity consumption and, moreover, to identify and sanction non-payers. For the first time, most costumers have to pay for the electricity they actually consume. As has been observed in some urban areas under a pilot scheme, this leads to a short term decrease in the electricity peak demand by more than 20 %, while, at the same time, more revenue is generated without having to increase power tariffs. System wide, the thus freed supply capacities can be put into use for covering supply gaps elsewhere, especially in rural areas. Through the enhanced collection and billing efficiency, the entire chain of power supply will benefit as the increased revenues will result in an improved liquidity situation of all electricity suppliers. Together with other arrangements the program helps stabilizing the entire power supply system.

Armenia - Increased Energy Efficiency through Rehabilitation Measures on Power Plants: The Case of Kanaker Hydro Power Plant

Photo: KfW

Several analyses show that power plant rehabilitation measures aiming at improving plant efficiency are often economically more feasible than building new plants. This is especially valid for hydro power stations. Armenia is a point in case.

The country possesses a large potential of hydro power which is only partly utilized, even though almost three quarters of the domestic demand could be covered by hydro power. Otherwise poor in natural resources the energy supply of the country is highly dependent on fossil fuel imports. Most of the existing Armenian hydro power plants have been in operation since decades. Especially since the demise of the former Soviet Union, they are mainly, and increasingly, in poor condition due to neglected maintenance and reinvestments.

After the country's independence in 1991 and the ensuing regional conflicts, Armenia suffered a harsh energy emergency. Power generation dropped to one third of the level of 1988. In remote rural areas, people were almost entirely disconnected from power supply. This triggered a rush to fuel wood and led to the deforestation of large areas of the national forests.

In order to cover the country's energy demand the only nuclear power plant, Medzamor, built in the 1970s in an earthquake-prone area was recommissioned in 1995, after it had been closed down after an earthquake in 1988. Today Armenia's power generation depends to a substantial and increasing extent on this nuclear power plant. As the present nuclear power plant will have to be shut down in the foreseeable future and Armenia's electricity demand will further increase, the search for alternatives substitution becomes increasingly pressing.

Between 1997 and 2001, KfW provided a concessionary loan of EUR 17.9 Mio to the Government of Armenia in order to finance the rehabilitation of the Kanaker hydro power plant. It is the second largest plant of the major Sevan-Hrazdan-Cascade which comprises seven hydro power plants with an installed capacity of 560 MW. Only 10 km away from the capital Yerevan, Kanaker HPP had been designed to assure part of its energy supply. Built in 1936 it has been originally equipped with an installed capacity of 102 MW. By the time of project appraisal, though, the available capacity fell to 40 MW and cumulative technical failures led to frequent disruption in power generation.
The rehabilitation measures focused mainly on two turbines of 25 MW each and two smaller turbines of 13 MW each were rehabilitated by the Armenian Partners. After completion of works in 2003, the rehabilitated Kanaker hydro power plant started operating again with an additional available capacity of 76 MW. Unplanned operation failures could be reduced substantially and more than 100 GWh of secured energy production are now available to the power supply system. The rehabilitation cost of this rehabilitation scheme is very moderate: around EUR 250,000 per newly reinstituted MW of the plant.

In brief

KfW Entwicklungsbank is one of the leading financiers.

KfW Entwicklungsbank and the IBRD are the two leading donor agencies for renewable energies in developing countries. This has been published by the global policy network REN21 (Renewable Energy Policy Network for the 21st Century) in the new Global Status Report 2006.
Under German Financial Cooperation KfW Entwicklungsbank committed EUR 331 million as well as an additional EUR 170 million under the Special Facility for Renewable Energies and Energy Efficiency for projects in this area in 2005.
The World Bank (IBRD) committed development loans in a total of EUR 475 million for projects in this sector.

KfW Special Facility for Renewable Energies and Energy Efficiency

KfW's Special Facility is used to finance investment in renewable energies and energy efficiency. Acting on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), KfW Entwicklungsbank is providing EUR 500 million in additional funds for renewable energies and energy efficiency in developing countries, thus assuming a pioneering role in the energy turnaround.
Owing to the great demand from the partner countries, two years after the launch of the Special Facility the BMZ has already committed EUR 300 million instead of the planned EUR 200 million. Nine projects are being financed in Marocco, Azerbaijan, India, Brazil, Chile, the Andes, Ukraine and Montenegro.
Numerous proposals have also been received from partner countries for 2007 and 2008. KfW Entwicklungsbank is currently reviewing these proposals to determine which are eligible for promotion under the Special Facility.

Carbon Fund is successful

The Carbon Fund of KfW Bankengruppe, which handles the trading in emission certificates in accordance with the rules of the Kyoto Protocol, has met with a positive response. 26 companies and institutions from Germany and abroad participated in the first tranche with a total amount of almost EUR 84 million. Thus, the planned volume was exceeded by 70%. At the end of October purchase agreements or letters of intent had already been concluded to acquire certificates covering 50% of the Fund volume. The Carbon Fund purchases the certificates in developing and transforming countries, where environmentally friendly technology reduces the emission of greenhouse gases The Fund acquires the certificates on a trust basis and channels them to German and European companies, thus enabling them to meet their climate protection obligations. The Fund makes KfW Bankengruppe one of the pioneers paving the way for commercial carbon credits trading.

Source: Roland Bunzenthal from FC Paper February 2007