



# Green Loans – Made by KfW IPEX-Bank Framework

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# 1. Preamble

KfW IPEX-Bank provides financing to support the German and European economies and for environmentally and climate-friendly investments. Together with the German and European export sectors and its global corporate customers, KfW IPEX-Bank aides the transition to a sustainable society in all three dimensions – economically, environmentally and socially – in Germany, Europe and throughout the world. It promotes technological transformation by developing suitable financing solutions with the aim of improving and securing livelihoods and quality of life for future generations. These activities are guided by the principles of responsibility and sustainability.

The framework for **Green Loans – Made by KfW IPEX-Bank** (also referred to as “Green Loans” or “Green Loan”) described below is set in this context. It ties in with the Green Loan Principles (GLP) of the Loan Market Association (LMA) and, in keeping with the four core components of the GLP, defines the specific characteristics of these core components for KfW IPEX-Bank.

This framework will be revised and amended on a regular basis to reflect the evolving scientific, technological and other conditions.



KfW-IPEX Bank aides the transition to a sustainable society in Germany, Europe and throughout the world.

## 2. Purpose

As an integral part of its lending process, KfW IPEX-Bank aligns its financing with specific objectives, such as supporting the export industry, infrastructure, securing raw materials or environmental protection and climate action. Financing that serves to protect the environment and mitigate climate change can be allocated to the **Green Loans – Made by KfW IPEX-Bank** segment, provided it is consistent with the

utilisation of the loan proceeds listed in the following section and meets other conditions specified in the GLP, such as proof that the loan proceeds are used exclusively for projects defined as being green. The basic prerequisite to be eligible for funding is always the implementation of an [→ environmental and social due diligence](#).



The basic prerequisite to be eligible for funding is always the implementation of an environmental and social due diligence.

# 3. Use of proceeds

**Financing that makes a positive contribution to environmental protection, climate action and resource conservation can qualify as a Green Loan – Made by KfW IPEX-Bank, provided that the purpose of the financing falls into at least one of the categories listed below. The annex contains the mandatory exclusion list and the sector guidelines of KfW Group (“exclusion list” and “sector guidelines”), which must be adhered to when Green Loans – Made by KfW IPEX-Bank are structured. The respective current version of the exclusion list and the sector guidelines will apply.**

## Climate

### 1. Adaptation to climate change

This category comprises financing for projects whose sole purpose is adaptation to climate change. This includes:

- reducing the exposure of people and nature to climate change
- decreasing the vulnerability of people and nature to climate variability and the impacts of climate change that have already occurred and are projected to occur
- maintaining or increasing the resilience of people and nature (climate resilience) by improving the capacity to adapt to or absorb climate-related stresses, shocks and variability
- strengthening the capacities to manage risks associated with climate change

Typical approaches include:

- planning and implementing measures that decrease exposure to climate change (e.g. through climate-sensitive land-use planning in cities and municipalities, coastal protection, etc.)
- integrating climate change adaptation into policy-making, planning and decision-making processes (e.g. National Adaptation Planning Process – NAP, as part of NDCs or in national sustainable development strategies)
- planning and implementing concrete measures to adapt to climate change (e.g. improved irrigation systems for farming, flood protection measures, etc.) that strengthen the adaptive capacity of people and the environment, thereby reducing their vulnerability and increasing resilience
- introducing systems to manage residual risks, such as risk insurance or early warning systems
- projects that reduce the need to use water from natural sources in water-scarce regions (e.g. drinking water projects, seawater desalination plants)



**Green Loans – Made by KfW IPEX-Bank** make a positive contribution to environmental protection, climate action and resource conservation.

## 2. Climate action

### Mobility and transport

Financing for transport and mobility can qualify as a Green Loan if it falls into one of the following areas:

#### INFRASTRUCTURE

- for public transport projects such as expansion of the rail network, train stations or P+R car parks
- for non-motorised traffic such as bicycles and pedestrians
- for electric mobility

#### MODES OF TRANSPORT

- 1) Road and rail transport: all road and rail-based means of mass local and long-distance transport, such as trams, metros and suburban trains, freight and passenger trains, as well as railcars and buses, all qualify as Green Loans if they are electrically powered or meet the respective requirements (substantial contribution) of the EU taxonomy and the EHS Guidelines. For all projects with road and rail-based means of transport that are not or not exclusively electrically motorised, such as bimodal trains, the following also applies:
- for replacement investments, proof of absolute energy/CO<sub>2</sub>e savings or proof of specific energy/CO<sub>2</sub>e emission savings of at least 20% must be provided in a before/after comparison

or

- for new investments, proof of energy/CO<sub>2</sub>e emissions savings of at least 15% compared with the national sector average of the installed capacity must be provided.

#### 2) Shipping:

- financing for ships including retrofits qualifies as a **Green Loan – Made by KfW IPEX-Bank** if it complies with the 2020 IMO requirements; in addition,
- for replacement investments, proof of absolute energy/CO<sub>2</sub>e savings or proof of specific energy/CO<sub>2</sub>e emission savings of at least 20% must be provided in a before/after comparison

or

- for new investments, proof of energy/CO<sub>2</sub>e emissions savings of at least 15% compared with the national sector average of the installed capacity must be provided.

#### 3) Aviation:

- aircraft financing generally does not qualify as a **Green Loan – Made by KfW IPEX-Bank** even if, for example, upgrading a fleet of aircraft may achieve energy efficiencies.

### Production of climate technology

Financing for manufacturers or production including R+D of, for example, battery cells for electric mobility and renewable energy storage according to the list below, including the associated processes and production systems and machines also qualifies as a Green Loan. In this case, the relevant processes, production systems and machines must explicitly and exclusively serve the purpose of research, development and production of climate technology. If they serve multiple purposes (dual use), the financing does not fall under this framework.

## Renewable energy

Financing from KfW IPEX-Bank for renewable energy (incl. associated grids and storage facilities) can be classified as a Green Loan if it falls into one of the following areas:

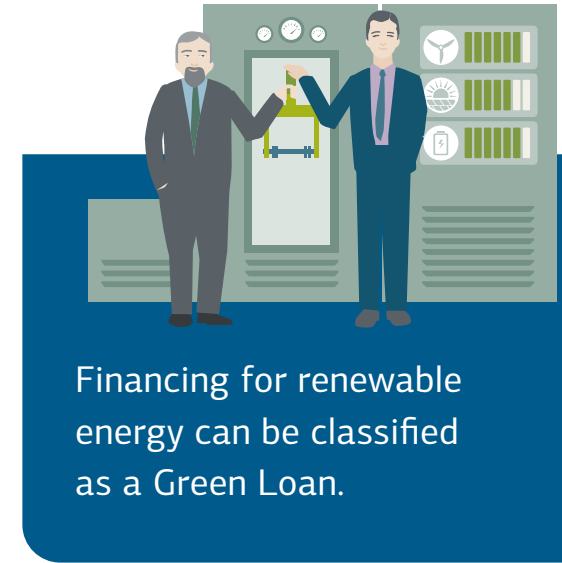
- Electricity generation: development, operation and maintenance of facilities for:
  - wind power (onshore and offshore)
  - solar power
  - biomass or biogas electricity from waste (food may not be used as feedstock), provided that greenhouse gas emissions are reduced by 80% compared to conventional fossil fuel (RED II)
- geothermal energy in compliance with the requirements (substantial contribution) of the EU taxonomy
- hydropower plants (excluding plants with an installed capacity of more than 25 MW)
- green hydrogen, i.e. hydrogen produced purely from renewable energy sources
- grids that are directly related to the connection of renewable energy
- Development, operation and maintenance of facilities to produce biogas from waste
- Heat generation and thermal energy: development, operation and maintenance of facilities for:
  - thermal use of geothermal, solar or bioenergy from biomass waste
  - construction of heat pumps

- Technologies for renewable energy/energy storage:
  - development and/or production of renewable energy technologies, incl. renewable energy generation equipment (e.g. wind turbines, solar cells) and energy storage equipment (e.g. batteries, capacitors, compressed air storage and flywheels)
- Financings under KfW's promotional programmes for renewables also qualify as **Green Loans – Made by KfW IPEX-Bank**.

## Buildings

Financing for buildings may also qualify as a **Green Loan – Made by KfW IPEX-Bank** if it meets the following criteria:

- for replacement investments, proof of absolute energy/CO<sub>2</sub>e savings or proof of specific energy/CO<sub>2</sub>e emission savings of at least 20% must be provided in a before/after comparison
- or
- for new investments, proof of energy/CO<sub>2</sub>e emissions savings of at least 15% compared with the national sector average of the installed capacity must be provided
- In both cases: compliance with (inter)national or regional standards or presentation of corresponding certificates (as per the GLP).



Financing for renewable energy can be classified as a Green Loan.

## Energy efficiency

When energy efficiency measures are financed, a distinction is made between replacement investments and new investments. The following qualify as Green Loans:

- Replacement investments for energy efficiency can be recognised as **Green Loans – Made by KfW IPEX-Bank** if proof is provided of absolute energy savings/CO<sub>2</sub>e savings or specific energy/CO<sub>2</sub>e savings of at least 20% in a before/after comparison.
- New investments in energy efficiency must prove specific energy/CO<sub>2</sub>e emission savings of at least 15% compared to the national industry average of the existing installed capacity to qualify as **Green Loans – Made by KfW IPEX-Bank**

Examples of these types of financing include investments in energy-efficient production of companies (e.g. new or replacement investments in more energy-efficient production processes and facilities), energy-efficient infrastructure, energy-efficient buildings (refurbishment) and modernisation of (combined heat and) power plants to increase energy efficiency, as long as they are not fired with fossil fuels.

- Financings under KfW's promotional programmes for energy efficiency also qualify as **Green Loans – Made by KfW IPEX-Bank**.

Financings for fossil fuel-fired power plants or for the modernisation of fossil fuel-fired power plants do not qualify as **Green Loans – Made by KfW IPEX-Bank**, even if they may be accompanied by an increase in energy efficiency under certain circumstances.

## Environment

### Production technologies and processes that protect the environment and conserve resources

This encompasses financing for project-related measures, such as end-of-pipe technologies including recycling, facilities for the reduction, recycling and reuse of waste materials (including recycling of plastic waste). It also includes financing that supports projects/investments that conserve resources and thus contribute to environmental protection, as well as financing that helps to improve the quality of resources, air and water, if this results in resource savings of at least 15%.

### Sustainable water and wastewater management

Financing for projects related to water and wastewater management as described below can be provided as a **Green Loan – Made by KfW IPEX-Bank** if the projects result in resource savings of at least 15%. These categories include, among others:

#### Water:

- Products, services and projects that contribute to reducing water scarcity and improving water quality, including minimising and monitoring current water use and increased demand, improving the quality and reliability of water supply and improving water availability
- Infrastructure and technical projects to develop new or rehabilitate existing water and sanitation pipelines, including equipment and technical upgrades for improved water quality and/or water use efficiency
- Technologies and products to reduce, reuse or recycle water for the purpose of water conservation (smart meters, water-saving devices, rainwater harvesting systems)

#### Wastewater:

- Processes that make it significantly easier to treat wastewater, i.e. that go beyond merely meeting legal requirements
- Development, manufacture, installation or operation of technologies, systems or facilities that recycle, compost or increase the efficiency of wastewater treatment



### **Environmental protection, resource conservation and the reduction of environmental pollution**

Financing to reduce and control (environmental) pollution can be classified as a **Green Loan – Made by KfW IPEX-Bank** if it can be proven that environmental pollution or resource consumption is reduced by at least 15%. These include the following projects, among others:

- Measures that contribute to environmental protection (such as waste prevention, air pollution control, emission reduction (e.g. sulphur dioxides/nitrogen oxides), and noise protection). This also includes waste incineration plants as power plants that supply energy or heat without fossil raw materials and – within the territory of the EU – comply with EU Directive 2008/98/EC on waste and worldwide in compliance with the EHS guidelines of the World Bank Group
- Financing of production facilities that reduce the environmental impact or the use of materials and resources by at least 15%

Financings for fossil fuel-fired power plants or for the modernisation of fossil fuel-fired power plants do not qualify as a **Green Loan – Made by KfW IPEX-Bank**, even if it may be accompanied by an improvement of environmental protection and resource conservation under certain circumstances.

## 4. Project selection and evaluation

Necessary conditions for evaluating a loan and classifying it as a **Green Loan – Made by KfW IPEX-Bank** are the use of the proceeds as described in section three and compliance with the exclusion list in the annex. KfW IPEX-Bank may also set further conditions.

Moreover, the borrower must provide appropriate proof of compliance with the criteria of this framework as part of the loan initiation and structuring phase. This also includes providing information on the borrower's sustainability strategy and goals.



The loan proceeds are being used exclusively for the predefined purpose.

# 5. Management of proceeds

It is the borrower's responsibility to ensure that the loan proceeds committed under this framework are only used for the purposes defined in this framework. As disbursement progresses, the borrower must report to KfW IPEX-Bank on how the proceeds are being used. To ensure that the loan proceeds are only used for

the purposes defined in this framework, the borrower can, for example, set up a separate account or suitable processes to monitor that the proceeds are being used exclusively for the predefined purpose.



# 6. Reporting

In accordance with the GLP, borrowers of **Green Loans – Made by KfW IPEX-Bank** are required to notify KfW IPEX-Bank in an appropriate form of how the proceeds are being used in accordance with this framework and of any expected climate and environmental impact associated with the financed investment or project. To ensure transparency of the anticipated climate and environmental impact of the project, KfW IPEX-Bank recommends using the climate and environmental impact measurement indicators that are listed by way of example:

## Climate

### Renewable energy:

- reduction/minimisation of annual greenhouse gas emissions (tCO<sub>2</sub>e)
- annual energy production from renewable sources (MWh)
- capacity added from renewable energy sources (MW)

### Energy efficiency:

- reduction/minimisation of annual greenhouse gas emissions (tCO<sub>2</sub>e)
- annual energy savings (MWh)

## Environment

- reduction in annual water consumption (m<sup>3</sup>)
- annual reduction in the water quantity (m<sup>3</sup>)
- reduction in the annual output of emissions (e.g. sulphur dioxides/nitrogen oxides) (SO<sub>x</sub> mg/m<sup>3</sup> e / NO<sub>x</sub> mg/m<sup>3</sup>e)
- reduction of noise pollution (decibel)



KfW IPEX-Bank recommends using climate and environmental impact measurement indicators to ensure transparency.

# 7. External review

**Transparency through independent expert assessments (verification) is an important feature of Green Loans – Made by KfW IPEX-Bank.**

KfW IPEX-Bank aims for three-stage verification:

- 1) independent verification (second-party opinion) of this framework for **Green Loans – Made by KfW IPEX-Bank**
- 2) independent verification (second-party opinion) of **Green Loans – Made by KfW IPEX-Bank** in relation to the GLP
- 3) independent verification (second-party opinion) of **Green Loans – Made by KfW IPEX-Bank** in relation to this framework for **Green Loans – Made by KfW IPEX-Bank**

During verification under 2) and, if applicable, under 3), the aim should be to achieve a classification in conformity with the EU taxonomy. It is also advisable that the verifications under 2) and 3) be carried out in one step. The selection of the second-party opinion service provider under 2) and, if applicable, under 3) is made accordingly by the borrower with the involvement of KfW IPEX-Bank.



# 8. Updates to the framework

This document is reviewed regularly and updated if necessary. The current version of the framework at the time of the loan commitment for a **Green Loan – Made by KfW IPEX-Bank** applies.

# 9. Annex – Exclusion list

The exclusion list can be found at [→ this link](#).

The sector guidelines can be found at [→ this link](#).

# 10. Disclaimer

The information and opinions contained in this Green Loan Framework are provided as at the date of this document and are subject to change without notice. KfW IPEX-Bank does not assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Green Loan Framework is provided for information purposes only and does not constitute, or form part of, any offer or invitation to participate in a loan facility of KfW IPEX Bank and is not intended to provide the basis for any credit or any other third party evaluation of the loan. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of inter alia an information memorandum and any supplemental information provided during the course of such offer and invitation process (the “Offer and Invitation Material”) and any decision to participate in a loan facility pursuant to such offer or invitation should be made solely

on the basis of such Offer and Invitation Material. This Framework should not be considered as a recommendation that any lender should participate in the loan facility. Any person who subsequently takes up share in a loan facility must rely solely on the Offer and Invitation Material shared by KfW IPEX-Bank in connection with a loan facility, on the basis of which alone take up or participation in a loan facility should be made. In particular, lenders should pay special attention to any sections of the Offer and Invitation Material describing any risk factors. The merits or suitability of the transaction described in these materials to a particular person’s situation should be independently determined by such person. Any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the loan facility or such transaction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation.



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