

Paris-aligned sector guidelines of KfW Group

Version 09/2026

1. Paris-aligned sector guidelines of KfW Group

With the Paris-aligned sector guidelines, KfW group is committed to the 1.5°C climate target and wants to take on responsibility for a climate-friendly transformation in Germany and worldwide. The sector guidelines aim to support the global transition process toward greenhouse gas neutrality. They apply to new financing by KfW Group in the sectors listed below and define specific requirements regarding the climate compatibility of the respective investments. The sector guidelines apply to all financing instruments of KfW Group regardless of the source of financing (i.e. KfW's own funds or other sources, such as federal budget funds).¹

The Paris-aligned sector guidelines were introduced in 2021 for the shipping, automotive, iron and steel production, buildings, electricity generation, and aviation sectors. In December 2023, the existing framework was supplemented by a sectoral guideline for the oil and natural gas sector. The sectoral minimum requirements were derived from the International Energy Agency's (IEA) internationally recognized "Net Zero Emissions by 2050" (NZE) climate scenario, with support from the Fraunhofer Institute for Systems and Innovation Research. For the shipping sector, the steering mechanism combines a technology-based approach derived from the IEA's Sustainable Development Scenario with steering the shipping portfolio to 1.5°C using real emission data from financed assets. Information from the Poseidon Principles framework is used for the purpose.

The publication date determines the entry into force of the respective version of the sectoral guidelines. This excludes projects whose preparation is already well advanced at the time of publication. Transitional periods for entry into force apply to the domestic promotional business.²

In 2026, updated sectoral guidelines will be published. The focus of the regular revision is on updating the climate scenario. The key premises of the guidelines (1.5°C compatibility, scientific derivation from net-zero emissions, and consideration of the technical lifespan of investments rather than the loan term) remain unchanged. This version of the sector guidelines contains updated requirements for the oil and natural gas sector, the electricity generation sector, and iron and steel production. Over the course of the year, the guidelines for the other four sectors will be updated and published together in 2027.

In the event of any discrepancies between the English and the German version, the German version shall prevail.

¹ Deviations may arise in mandated transactions (Zuweisungsgeschäft) in accordance with Article 2 (4) of the Law Concerning KfW, as well as in other financing transaction on behalf of the Federal Republic of Germany following an explicit request from the relevant federal ministry to carry out the transaction even if it is not in line the sector guidelines.

² The effective date for the domestic funding programs will be communicated to customers and financing partners in advance, including via the "KfW Information for Banks" and the website <https://www.kfw.de/nachhaltigkeit/About-KfW/Sustainability/Strategie-Management/Sustainable-Finance/Sector-guidelines/>

2. Requirements in greenhouse gas intensive sectors

2.1 Oil and natural gas sector

The sector guideline for Oil³ and Natural Gas applies to financing along the oil and natural gas value chain with and without technologically definable financing assets. Paris-compatibility of financings in the oil and natural gas sector is ensured through Group-wide exclusions (2.1.1) as well as financing limits (see chapter 2.1.2). In addition, there is financing in line with the 1.5 °C target which is not subject to a limit (2.1.3).

Scope of application

The following cases are regulated under the sector guideline:

- The sector guideline applies to KfW Group's worldwide commitments along the oil and natural gas value chain (upstream, midstream and downstream).

The following cases are **not** regulated under the sector guideline:

- Financing of national strategic oil and natural gas reserves
- Financial activities to financial intermediaries insofar that the object of funding cannot be technologically defined

2.1.1 Group-wide exclusions in the oil and natural gas sector

According to the sector guideline for oil and natural gas, the KfW group does **not finance**:

- Prospecting, exploration and production of oil and natural gas (upstream) as well as optimisation, greenhouse gas reduction and efficiency measures in prospecting, exploration and production projects
- Construction, acquisition or refurbishment of production and administrative buildings for the exploration and production of oil or natural gas⁴
- Transport and storage infrastructure for crude oil, crude oil terminals and oil ports, as well as oil refineries:
 - Oil pipelines and pumping stations
 - Special vessels related to oil (e.g. vessels for the construction of oil drilling platforms)
 - Oil ports and terminals
 - Vehicles for land transport of crude oil
 - Railway lines explicitly for oil transport
 - Wagons for crude oil
 - Storage tanks for crude oil
 - Tank farms or tank farm portfolios with revenue-based crude oil content $\geq 25\%$
 - Crude oil tankers > 120,000 DWT
 - Vessels for laying oil and natural gas pipelines
- Construction of new natural gas networks and pipelines
- LNG liquefaction terminals
- Construction of new refineries for classic fuels and combustibles⁵
 - New construction (incl. net expansion)
 - New construction (without net expansion, production site concentration)
 - Lifetime extension without efficiency improvement
- Production plants for Grey hydrogen (steam reforming of fossil fuels, without the use of CCS)

³ In the oil and natural gas sector guideline, the term oil, unless specified more precisely in the respective context, includes both crude oil and products made from it.

⁴ Federal promotional programmes that cannot exclude individual branches of production for reasons of state aid law are exempt from this exclusion.

⁵ Refineries that exclusively serve the reprocessing (re-refining) and energetic use of waste oil - e.g. in the context of conversion into diesel - are still eligible for financing.

- Associated infrastructure⁶ according to IFC Performance Standards for excluded financing items

The above mentioned excluded items are stated in the [Exclusion List of KfW Group](#).

2.1.2 Financing objects/ financing in the oil and natural gas sector subject to the steering approach

The steering approach in the oil and gas sector defines, firstly, the financing objects to be limited, and secondly, the methodology (volume management, staggered exclusions).

Financing for the following objects will be limited:

- Maintenance and rehabilitation measures for definable financing assets in the oil and natural gas sector outside oil and natural gas prospecting, exploration and production
- Construction, acquisition or refurbishment of production and administration buildings for the processing and distribution of oil or natural gas
- Refineries predominantly for material use:
 - New construction
 - Lifetime extensions (without energy efficiency improvements)
 - Conversion to material use
- Acquisition and replacement⁷ of existing natural gas pipelines or networks
- Natural gas pipelines or networks for cooking purposes
- LNG regasification terminals
- Acquisition, construction or leasing of LNG tankers
- Acquisition, construction or leasing of product tankers (IMO Class III) technically designed for the transport of mineral oil products in a proportion of at least 50 % by mass.
- Acquisition or new construction of tank farms and tank farm portfolios for natural gas or petroleum products
- Acquisition or construction of vehicles for the land transport of petroleum products and natural gas
- Acquisition or construction of wagons and wagon portfolios for the carriage of petroleum products and wagons and wagon portfolios for the exclusive carriage of natural gas
- Acquisition or new construction of a railway line explicitly for the transport of natural gas
- Trade finance for oil and natural gas
- General corporate lending⁸

Volume management (valid and applicable only for KfW IPEX-Bank):

IPEX ensures the 1.5°C -compatibility of financing in the oil and natural gas sector by setting a cap on the annual budget for new commitments.

Starting from a representative baseline, the annual funding budget, adjusted for inflation, decreases each year in line with a 1.5°C -compatible reduction pathway and is divided into three control areas.

⁶ Selected investments aimed at improving environmental and climate performance are exempt from the exclusion of associated infrastructure for upstream activities; these include the energy-based utilization of flared gas (e.g., hydrogen production via steam reforming), on-site production of blue hydrogen, on-site CCS to reduce the primary energy factor in gas production, (waste) disposal, water conservation and use, and renewable energy for self-consumption.

⁷ The replacement must not result in an extension of the economic service life. The necessity of the replacement investment must be proved, in Germany through the Gas Network Development Plan and in other countries through comparable national gas network plans.

⁸ General corporate finance is under control if the borrower is classified according to one of the following NACE codes: 6.1, 6.2, 19.2, 35.22, 35.23, 42.21, 46.71.2, 49.5. Thereby a distinction is made between three use cases. If the intended use is known and the credit line is used exclusively for oil and natural gas purposes, the entire financing falls under the control. If it is known that the credit line will be used exclusively for other purposes (outside oil and natural gas), the entire financing does not fall under the control. In the third case, the use of proceeds is unknown. In this case, it must be checked whether the majority of the company's activities are in the oil/natural gas sector. If the company is ≥ 50% active in the oil/ natural gas sector on a revenue basis, the entire financing falls under the control. If the company is ≥ 50% active in other segments (outside oil and natural gas), the entire financing does not fall under the control.

Table 1: Annual reduction factor per control area

Control area	Annual reduction factor compared to the respective previous year
Financing with identifiable assets in the oil sector	2022 – 2040: 2.15% 2040 – 2050: 4.43%
Financing with identifiable assets in the natural gas sector	2022 – 2040: 2.34% 2040 – 2050: 3.15%
Trade finance and general corporate financing in the oil and natural gas sector	2022 – 2030: 1.93% 2030 – 2040: 3.48% 2040 – 2050: 1.90%

Staggered exclusions (valid and applicable for domestic promotional finance (IK, PM), DEG and development bank (FZ)):

The steering approach for IK, PM, DEG and FZ ensures that financing in the oil and natural gas sector is consistent with the 1.5°C target through phased-in exclusions. Financing for the listed projects may no longer be provided starting in the applicable year.

Table 2: Staggered exclusions for developed countries

Exclusion from 2023	Exclusion from 2035	Exclusion from 2045
- Refineries predominantly for material use: - New construction - Lifetime extensions (without energy efficiency improvements) - Conversion to material use - Construction, acquisition or refurbishment of production and administration buildings for the processing and distribution of oil or natural gas - Acquisition, construction or leasing of product tankers (IMO Class III) technically designed for the transport of mineral oil products in a proportion of at least 50% by mass - Acquisition or construction of vehicles for the land transport of petroleum products and natural gas - LNG regasification terminals - Acquisition, construction or leasing of LNG tankers - Acquisition or construction of railcars for the transport of petroleum or natural gas - Tank farms, tank storage and railcar storage facilities for mineral oil or natural gas - Gas pipelines or networks for cooking purposes - Acquisition or new construction of a railway line explicitly for the transport of natural gas	- Maintenance and rehabilitation measures for definable financing assets in the oil and natural gas sector outside oil and natural gas prospecting, exploration and production - Acquisition and replacement⁹ of existing natural gas pipelines or networks	- Trade finance for oil and natural gas - General corporate lending

⁹ The replacement must not result in an extension of the economic service life. The necessity of the replacement investment must be proved, in Germany through the Gas Network Development Plan and in other countries through comparable national gas network plans.

Table 3: Staggered Exclusions for developing countries¹⁰:

Exclusion from 2025	Exclusion from 2030	Exclusion from 2040	Exclusion from 2045
- Construction, acquisition and refurbishment of production and administration buildings for the processing and distribution of oil or natural gas - Acquisition, construction or leasing of product tankers (IMO Class III) technically designed for the transport of mineral oil products in a proportion of at least 50% by mass - Acquisition, construction or leasing of LNG tankers	- Refineries predominantly for material use: - New construction (production site concentration, no net expansion). - Lifetime extensions (without energy efficiency improvements) - Conversion to material use - Acquisition or construction of vehicles for the land transport of petroleum products and natural gas - LNG regasification terminals - Acquisition or construction of wagons and wagon portfolios for the carriage of petroleum products and wagons and wagon portfolios for the exclusive carriage of natural gas - Acquisition or new construction of tank farm and tank farm portfolios for natural gas or petroleum products - Gas pipelines or networks for cooking purposes - Acquisition or new construction of a railway line explicitly for the transport of natural gas	- Maintenance and rehabilitation measures for definable financing assets in the oil and natural gas sector outside oil and natural gas prospecting, exploration and production - Acquisition and replacement¹¹ of existing natural gas pipelines or networks	- Trade Finance for oil and natural gas - General corporate lending

2.1.3 Financing objects in the oil and natural gas sector that are eligible for unlimited financing in accordance with 1.5 °C-compatibility

- Energy efficiency measures with a maximum capacity increase $\leq 10\%$ outside oil and natural gas prospecting, exploration, and production
- Carbon capture and storage (CCS)
- GHG reduction measures outside of exploration, prospecting, and production projects
- Pipelines technically designed for 100% hydrogen use (including conversion measures)
- Construction of new natural gas pipelines (not H₂ -ready) that are demonstrably related to the expansion of the H₂ network, so-called new pipelines designed to support natural gas infrastructure
- Construction of transmission, connection, and distribution lines (pipelines and networks) for renewable gases (e.g., biogas)
- Measures on existing pipelines and networks aimed at enabling a higher blend of hydrogen or renewable gases
- Production facilities for green or blue hydrogen
- Refineries for bio-based products (new construction, production site concentration, capacity expansion, retrofitting)
- Re-refining and energetic use of waste oil - e.g. in the context of conversion to diesel
- Measures to prepare natural gas storage facilities for hydrogen storage

¹⁰ Developing and emerging economies as defined in the IEA's "Emerging Market and Developing Economies" category in the [World Energy Outlook 2025](#), supplemented by countries from the [DAC List of ODA Recipients](#) (or the most current successor list) that are not included in that definition.

¹¹ The replacement must not result in an extension of the economic service life. The necessity of the replacement investment must be proved, in Germany through the Gas Network Development Plan and in other countries through comparable national gas network plans.

2.2 Power generation sector

The sector guideline for power generation supports the expansion of renewable energies which can be financed as transformative technologies (e.g., wind, photovoltaic, solar thermal power plant, geothermal power plants, hydropower and tidal power plants, power generation with sustainable biomass¹²) without any limitations. At the same time, the sector guideline also considers the role of natural gas power plants in successfully shaping the transition phase towards greenhouse gas neutrality. In accordance with the sector guideline for the power generation sector and the Group-wide financial exclusion list, KfW Group does not make any commitments for coal-fired power plants, nuclear power plants or oil/diesel power plants (neither new construction nor modernisation).

Scope of application

The following types of financing activities are steered by the sector guideline:

- Global commitments by the KfW Group in the power generation sector, provided that the power plants financed thereby are designed to feed into the interconnected grid or the electricity grid for public power supply.
- Commitments for electricity storage facilities.

The following types of financing activities are **not** steered by the sector guidelines:

- Interconnected or electricity grids
- Power plants operated primarily for own use that do not feed into the interconnection or electricity grid for public electricity supply, or do so only on a secondary basis.¹³
- Financing without a technologically definable financing object. This also applies to financing provided to financial intermediaries, provided that the financing object is not technologically definable.
- General corporate financing for power generation companies.

According to the sector guideline, the following technologies classified as transformative can be financed indefinitely:

- Wind power Onshore and Offshore
- Photovoltaic (PV, including battery storage as hybrid power plants)
- Solar thermal power plant (Concentrated Solar Power, CSP)
- Hydropower and tidal power plants
- Geothermal power plants
- Power generation with sustainable biomass (Certification required with regard to sustainability, e.g. Global Bioenergy Partnership (GBEP), FSC, RSPO and by the European Commission (provisionally) approved voluntary certification schemes¹⁴)
- Power plants which are verifiable 100% hydrogen or ammonia powered since commissioning (all colors except gray)
- Electricity storage facilities (e.g., batteries for integration)¹⁵

¹² Sustainability certification is required for the production of electricity from biomass fuels in installations with a total rated thermal input $\geq 7,5$ MW and in the case of gaseous biomass fuels with a total rated thermal input ≥ 2 MW.

¹³ Mini grids and generators (e.g. for refugee shelters) that are not connected to the interconnected or public electricity grid are treated as operational power plants.

¹⁴ Link: [Voluntary schemes \(europa.eu\)](https://ec.europa.eu/eurofin/voluntary-schemes/)

¹⁵ In the International Energy Agency's "Net Zero by 2050" scenario, which forms the basis for the sectoral guideline, batteries are accounted for as part of the electricity sector's capacity. Consequently, electricity storage is explicitly included in the control framework.

KfW Group sees it as its responsibility to support the heating and energy transition in Germany and worldwide as a reliable partner for the German government and customers. Modern, highly flexible and climate-friendly natural gas-fired power plants that are capable of using hydrogen in the future, play a role in the heating and energy transition. It is important that they are geared towards achieving the 1.5 °C- pathway when funding is committed. Based on the annual commitment volume for natural gas power plants and renewable energy sources (see above: transformative technologies) within the scope of the sectoral guideline, the annual new commitments for natural gas power plants that meet the minimum requirements may not exceed a share of 1/3.

Taking into account the uncertainties associated with the availability of hydrogen, the following minimum requirements apply to the financing of natural gas power plants:

- Existence of a federal export credit guarantee (so called Hermes cover) based on the German government's climate policy guidelines for foreign trade promotion¹⁶ **or**
- Operation as a balancing service or as a buffer for renewable energy **or**
- A contractual commitment to operate natural gas power plants in industrialized countries by 2040 at the latest and in developing and emerging countries¹⁷ by 2050 at the latest, using H₂ or ammonia (all colors except gray) **or**
- A contractual commitment to operate natural gas power plants in industrialized countries by 2040 at the latest and in developing and emerging countries by 2050 at the latest using CCS/CCU, provided this does not result in additional CO₂ emissions **or**
- Existence of ambitious Nationally Determined Contributions (NDCs) or energy and climate protection strategies in the host country that are designed to achieve greenhouse gas neutrality in electricity and heat supply¹⁸ **and**
 - Confirmation that the gas-fired power plant is technically designed (plant and peripherals, including the fuel supply system) in such a way that the plant can be converted to 100% H₂ or ammonia operation at a cost of no more than approximately 20% of the construction costs¹⁹ by 2035 (industrialized countries) or 2045 (developing and emerging countries) at the latest, and contractual arrangements that do not preclude operation with H₂ or ammonia **or**
 - Evidence of a CCS/CCU implementation plan for carbon capture (capture rate >90%) and full geological storage or utilization of the carbon starting no later than 2040 (developed countries) or 2050 (developing and emerging economies), including a letter of intent stating that operations could be converted to CCS or CCU accordingly, as well as contractual arrangements that do not preclude CCS/CCU operations.

In addition to the aforementioned transformative and transitional technologies, the following measures are also eligible for funding but are not counted toward the quota mentioned above:

- Optimization measures for natural gas power plants without a lifespan extension²⁰
- Natural gas power plants with CCS²¹
- Power plants that, from the time of commissioning, are operated with a blend of hydrogen or ammonia (all colors except gray) of ≥ 20% via the grid or through physical blending on-site (without a minimum proportion), provided

¹⁶ Any revisions to the German government's climate policy guidelines for foreign trade promotion will result in a reassessment of this regulation.

¹⁷ Developing and emerging economies as defined in the IEA's "Emerging Market and Developing Economies" category in the [World Energy Outlook 2025](#), supplemented by countries from the [DAC List of ODA Recipients](#) (or the most current successor list) that are not included in that definition.

¹⁸ Germany is on a decarbonization path in electricity generation that can be considered compatible—for all other countries, an assessment is required on a country-by-country basis. To this end, a set of criteria is applied, including: being a party to the Paris Agreement; national energy and climate policy measures are designed to limit global warming in accordance with the Paris Agreement; for facilities and infrastructure in the electricity sector, emission-reducing retrofits (or divestments) are planned to take effect as of the target year, and no investments are planned that are incompatible with the sector's greenhouse gas neutrality by the target year. For industrialized countries, the target year is 2040; for emerging and developing countries, the target year is 2050.

¹⁹ This value is based on current estimates, which may change over time. In practice, there may be variations in individual cases.

²⁰ Optimisation measures in this sector guideline include energy efficiency, GHG mitigation and environmental protection measures. A lifetime extension can be assumed if equipment in the core process is replaced; in the case of natural gas power plants, this is particularly the gas or steam turbine, the gas engine, the boiler and the generator.

²¹ Definition based on the German Carbon Dioxide Storage Act (KSpG) §3: 1. Permanent storage: The injection and containment-free storage of carbon dioxide and byproducts of the carbon dioxide stream in deep underground rock formations with the aim of preventing leakage for an indefinite period of time.

that 100% hydrogen or ammonia readiness (Level A) is contractually guaranteed for industrialized countries by 2040 and for developing and emerging countries by 2050

- Waste incineration²² with energy recovery (e.g., heat or electricity)

2.3 Iron and steel production sector

The sector guideline for iron and steel production (NACE 24.10, partially NACE 19.10) focuses on the crude steel production technology. The guideline distinguishes between (i) transformative technologies, that directly contribute to greenhouse gas neutrality and (ii) transitional technologies, which are relevant for progress towards greenhouse gas neutrality but are of continuously declining importance. Therefore, the sector guideline will increase the proportion of financing activities in transformative technologies and limit the financing activities in transitional technologies. Technologies not listed in the sector guideline can also be classified as transitional, if they meet the high thresholds in regard to emissions (t CO₂) per t steel (crude steel)²³. If a federal export credit guarantee (so called Hermes cover) has been granted based on the German government's climate policy guidelines for foreign trade promotion, KfW financing is possible and no review against the requirements of the KfW sector guideline for iron and steel production is necessary.²⁴

KfW Group controls the quota for the transitional proportion of total financing volume, ensuring that it will be met. For domestic promotional business, the transitional technologies listed below are generally excluded from funding.

Scope of application

The following types of financing activities are steered by the sector guideline:

- Financing for the Crude steel production technology.

The following types of financing activities are **not** steered by the sector guideline:

- Financing without a technologically definable object of financing is not controlled by the sector guideline. This also applies to financing to financial intermediaries if the object of financing cannot be technologically defined.
- General corporate financing for iron and steel producing companies

²² Waste incineration is limited to municipal waste incineration in this sector guideline. Hazardous waste incineration is excluded from control in this sector guideline due to the technical circumstances.

²³ General Note: For the EU, the European Commission's BREF report (see EC Best Available Techniques (BAT) Reference Document for Iron and Steel Production) sets out the so-called Best Available Techniques (BAT) for the iron and steel industry. In Europe, compliance with the BREF is generally a legal requirement for the commissioning of facilities subject to permitting. BREF reports are regularly updated based on facilities currently in operation. Since the BREF report addresses specific technologies, application may also be possible outside the EU (provided that information for the respective technology is already available in the BREF, e.g., for electric arc furnaces) and provided that the relevant department has access to information on the technological specifications (documentation requirements are to be determined accordingly by KfW).

²⁴ Any revisions to the German government's climate policy guidelines for foreign trade promotion will result in a reassessment of this regulation.

Table 4: Requirements for transformative and transitional technologies in steel and iron production

Technologies	Description	New financing activities from 31.12.2025	New financing activities from 01.01.2026
Transformative Technologies Challenge and Support	<u>New constructions:</u> - Hydrogen-based direct reduction (DRI) route²⁵ - Natural gas-based direct reduction (DRI) route with CCU and/or CCS - Blast furnace-basic oxygen furnace (BF-BOF) route with CCU and/or CCS²⁶ - Melting reduction route (hydrogen-based) - Blast furnace-converter route (BF-BOF) / DRI with CCS/BECCU/S using sustainably certified biomass - Iron electrolysis - Electric arc furnace (EAF) - Recycling techniques to increase the recycling rate in steel production <u>Stock:</u> - Installation of new transformative crude steel production technologies - Retrofitting of transitional crude steel production technologies with CCS and/or CCU <u>Or alternatively:</u> In addition, all facilities and technologies with a greenhouse gas intensity of 0.1 t CO₂ per ton of crude steel or less are eligible for financing²⁷	Min. 95% of new commitment amounts for investment per business unit	100% of new commitment amounts for investment per business unit
Transitional Technologies Limit the share of committed volume	<u>New construction and relining:</u> - Blast furnace converter route (BF-BOF) without CCU and/or CCS - Natural gas-based direct reduction route (DRI) without CCU and/or CCS - Coking plants only with dry coke cooling²⁸ <u>or alternatively:</u> In addition, all financing for plants/technologies whose greenhouse gas intensity is greater than 0.1 t CO₂ per t crude steel and which are not classified as transformative technologies fall under the guideline.	Max. 5% of new commitment amounts for investment per business unit	No commitments regarding transitional crude steel production technologies

KfW financing for facilities associated with crude steel production technology²⁹, such as casters and rolling mills, as well as optimization measures³⁰ remain possible and are not taken into account in the calculation of the quotas mentioned above. However, the handling of associated facilities and optimization measures is handled differently depending on the country and the time of construction of the crude steel production plant.

²⁵ If a DRI plant is to be operated using hydrogen based on a pathway-compatible concept starting in 2035, transitional operation using natural gas is permitted. An alternative compliance option is operation using sustainably certified biogas.

²⁶ An alternative compliance option is to operate using sustainably certified biomass. This can be combined with CCU and/or CCS.

²⁷ The reported emissions intensity refers only to Scope 1 boundaries. Upstream electricity generation, for example, is not included in the calculation.

²⁸ Coking plants are not classified under the iron and steel manufacturing sector (but under NACE 19.10). However, they are part of an integrated steelworks and are included here.

²⁹ In this sectoral guideline, the term "associated facilities" refers to facilities associated with crude steel production technology (e.g., casting and rolling mills).

³⁰ In this sectoral guideline, optimization measures include energy efficiency measures, GHG reduction measures, and environmental protection measures.

Financing in associated facilities and optimization measures is allowed in the following cases:

Table 5: Permitted financing in associated facilities and optimization measures

	Developed countries	Developing and emerging countries ³¹
Transformative technologies	<u>New constructions:</u> - Permitted for associated facilities <u>Stock:</u> - Permitted for associated facilities Permitted for optimization measures	<u>New constructions:</u> - Permitted for associated facilities <u>Stock:</u> - Permitted for associated facilities Permitted for optimization measures
Transitional technologies	<u>New Constructions:</u> - Permitted for associated facilities of crude steel production plants built until the end of 2025 or was scheduled for completion in 2025 <u>Stock:</u> - Permitted for associated facilities of crude steel production plants built until the end of 2025 or planned for 2025 - Permitted for optimization measures at crude steel production plants if the main plant was planned for 2025	<u>New Constructions:</u> - Permitted for associated facilities of crude steel production plants if the main plant is constructed by the end of 2029 or was scheduled for completion in 2025 <u>Stock:</u> - Permitted for associated installations of crude steel production facilities if the main facility was constructed by the end of 2029 or was planned for 2029 - Permitted for optimization measures on crude steel production facilities if the main facility was constructed by the end of 2029 or was planned for 2029

³¹ Developing and emerging economies as defined in the IEA's "Emerging Market and Developing Economies" category in the [World Energy Outlook 2025](#), supplemented by countries from the [DAC List of ODA](#) Recipients (or the most recent successor list) that are not included in that definition.

2.4 Building sector

The sector guideline for the building sector is applicable for new construction, modernisation and the purchase of buildings located within the EU. It includes all building types that are heated or cooled according to their intended purpose (e.g. residential buildings, administrative buildings, schools and hospitals), as well as for building technology (systems and equipment for heating, cooling, indoor air and lighting technology and hot water supply). The minimum requirements for buildings in Germany are defined according to the established KfW Efficiency House and Efficiency Building standards.³² For buildings located in other EU countries, the sector guideline purposely offers several possibilities to meet the 1.5°C-aligned minimum requirements and thus takes into consideration the heterogeneous climate conditions and national differences in building standards.

Scope of application

The following types of financing activities are steered by the sector guideline:

- New constructions, modernisations and purchase of residential and non-residential buildings located within the EU, including financing activities for individual building parts (e.g. apartments and the expansion of existing buildings³³) or building technology (installation and setup of heating, cooling, ventilation and lighting technology as well as hot water supply).
- In the case of a new building or a full refurbishment, both the building efficiency and the heat generator requirements must be met.

The following types of financing activities are **not** steered by the sector guideline:

- Buildings not located within the EU.
- Acquisition of existing apartments, i.e. apartments that have already been occupied at least once since construction.
- Listed buildings³⁴, industrial and production buildings, warehouse and shipping buildings, data centers as well as all building types that are not included in the scope of the German Building Energy Act (GEG §2 (2)) regardless of whether the location of the financed building is in Germany or other EU member states.
- Operation of buildings and technical installations for production processes in buildings.
- Individual measures, as long as they are not relevant for the primary energy demand of a building, e.g. barrier-free modification of the interior.
- Financing without a technologically definable financing object. This also applies to financing provided to financial intermediaries, provided that the financing object is not technologically definable.
- General corporate financing and financing activities that cannot be technologically delimited over financial intermediaries e.g. for home ownership companies and construction companies.

³² In the Buildings Sector Guideline, the identical requirements for primary energy demand and transmission heat loss are set for the efficiency house or efficiency building standard in accordance with the GEG.

³³ When extending existing buildings, building efficiency requirements must be met.

³⁴ Listed buildings include (a) buildings which, according to an official list or by law, are historical monuments, (b) buildings that are part of a monument ensemble and (c) buildings that are classified as "other particularly building fabric worthy of preservation" by official decision.

Table 6: Minimum requirements for buildings located in Germany

Purpose of financing activity	Until 31/12/2024	01/01/2025-31/12/2027	01/01/2028-31/12/2034	01/01/2035-31/12/2039	01/01/2040-31/12/2049	From 01/01/2050
Construction of new buildings and apartments Purchase of buildings and apartments that have not been occupied at least once (upcoming first-time occupation)	At least KfW Efficiency house or Efficiency building standard 55 or class A according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least KfW Efficiency house or Efficiency building standard 55 or class A according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least KfW Efficiency house or Efficiency building standard 40 or class A+ according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least KfW Efficiency house or Efficiency building standard 40 or class A+ according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least KfW Efficiency house or Efficiency building standard 40 or class A+ according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least KfW Efficiency house or Efficiency building standard 40 or class A+ according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")
Purchase of buildings that have been occupied at least once since their construction	At least KfW Efficiency house or Efficiency building standard 100 or class B according to energy requirements certificate If Efficiency House or Efficiency Building Standard does not meet 100, then renovation obligation within 4.5 years from the commitment (cf. "Refurbishment of buildings")	At least KfW Efficiency house or Efficiency building standard 100 or class B according to energy requirements certificate If Efficiency House or Efficiency Building Standard does not meet 100, then renovation obligation within 4.5 years from the commitment (cf. "Refurbishment of buildings")	At least KfW Efficiency house or Efficiency building standard 100 or class B according to energy requirements certificate If Efficiency House or Efficiency Building Standard does not meet 100, then renovation obligation within 4.5 years from the commitment (cf. "Refurbishment of buildings")	At least KfW Efficiency house or Efficiency building Standard 85 or Class B according to energy requirements certificate If Efficiency House or Efficiency Building Standard does not meet 85, then the refurbishment obligation must be completed within 4.5 years from the commitment (cf. "Refurbishment of buildings")	At least KfW Efficiency house or Efficiency building Standard 55 or Class A according to energy requirements certificate If Efficiency House or Efficiency Building Standard does not meet 55, then renovation obligation within 4.5 years from the commitment (cf. "Refurbishment of buildings")	At least KfW Efficiency house or Efficiency building Standard 40 or Class A+ according to energy requirements certificate If Efficiency House or Efficiency Building Standard 40 is not achieved, then renovation obligation within 4.5 years from the commitment (cf. "Refurbishment of buildings")
Modernisation of buildings and apartments	At least to KfW Efficiency house or Efficiency building Standard 100 or Class B according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least to KfW Efficiency house or Efficiency building Standard 100 or Class B according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least to KfW Efficiency house or Efficiency building Standard 100 or Class B according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least to KfW Efficiency house or Efficiency building Standard 85 or Class B according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least to KfW Efficiency house or Efficiency building Standard 55 or Class A according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")	At least to KfW Efficiency house or Efficiency building Standard 40 or Class A+ according to energy requirements certificate (in compliance with the requirements for heat generators; see "heat generator")

Purpose of financing activity	Until 31/12/2024	01/01/2025-31/12/2027	01/01/2028-31/12/2034	01/01/2035-31/12/2039	01/01/2040-31/12/2049	From 01/01/2050
Individual measures³⁵	Individual measures with ambition level of the KfW Efficiency house or Efficiency building Standard 70 or Class B according to energy requirements certificate	Individual measures with ambition level of the KfW Efficiency house or Efficiency building Standard 70 or Class B according to energy requirements certificate	Individual measures with ambition level of the KfW Efficiency house or Efficiency building Standard 70 or Class B according to energy requirements certificate	Individual measures with ambition level of the KfW Efficiency house or Efficiency building Standard 70 or Class B according to energy requirements certificate	Individual measures with ambition level of the KfW Efficiency house or Efficiency building Standard 55 or Class A according to energy requirements certificate	Individual measures with ambition level of the KfW Efficiency house or Efficiency building Standard 55 or Class A according to energy requirements certificate
Heat generators	- Electric heat pumps, solar thermal energy, local and district heating, biomass, etc. are permitted. - Exclusion of fossil heat generators (exception: natural gas heat generators)	- Electric heat pumps, solar thermal energy, local and district heating, biomass, etc. are permitted. - Exclusion of fossil heat generators (incl. combined heat and power plants (CHP))	- Electric heat pumps, solar thermal energy, local and district heating, biomass, etc. are permitted. - Exclusion of fossil heat generators (incl. combined heat and power plants (CHP))	- Electric heat pumps, solar thermal energy, local and district heating, biomass, etc. are permitted. - Exclusion of fossil heat generators (incl. combined heat and power plants (CHP))	- Electric heat pumps, solar thermal energy, local and district heating, biomass, etc. are permitted. - Exclusion of fossil heat generators (incl. combined heat and power plants (CHP))	- Electric heat pumps, solar thermal energy, local and district heating, biomass, etc. are permitted. - Exclusion of fossil heat generators (incl. combined heat and power plants (CHP))

³⁵ The technical requirements for individual measures are either taken directly from the GEG. If the GEG does not prescribe the appropriate level of ambition, corresponding technical parameters (generally U values) are derived.

Table 7: Minimum requirements for buildings located within the EU but outside of Germany

Purpose of financing activity	Minimum requirements
New constructions Purchase of buildings that since being built have not been occupied (upcoming first-time occupancy)	The building must at least: • meet EPC-classification „A“ (energy certificate) <u>or</u> • meet the national requirements for “nearly zero-energy buildings” (NZEB)
Purchase of buildings that since being built have been occupied at least once Modernisation of buildings	The building (where necessary after completion of the financed modernisation ³⁶) must at least: • meet EPC-classification “A” (energy certificate) <u>or</u> • be in accordance with the minimum standards for the implementation of the “Energy Performance of Buildings Directive” (EPBD)
Individual measures	• Individual measures with the ambition level of the Efficiency House and Efficiency Building standard 70
Heat Generators	• For example, electric heat pumps, solar thermal energy, local and district heating, biomass. • Exclusion of fossil heat generators (exception until 31.12.2024: natural gas heat generators³⁷)

The KfW Group does not provide financing for the construction, acquisition or rehabilitation of production and administrative buildings for the exploration and production of oil and natural gas. Financing for the construction, acquisition or refurbishment of production and administration buildings for the processing and distribution of oil or natural gas is according to oil and natural gas sector guideline also excluded.³⁸

³⁶ Analogue to the regulations in the BEG programmes, the customer has 4.5 years after application to implement the renovation measures.

³⁷ From 01.01.2025 no fossil heat generators (also no combined heat and power units (CHP)).

³⁸ Federal promotional programmes that cannot exclude individual branches of production for reasons of state aid law are exempt from this exclusion.

2.5 Automotive sector

The sector guideline for the automotive sector refers to production and research and development (R&D) of passenger cars and light commercial vehicles (< 3.5t) as well as suppliers and infrastructure (NACE Code 29.1, 29.2 and 29.3)³⁹. With focus on propulsion technologies, the sector guideline differentiates as followed:

- (i) Transformative propulsion technologies directly contribute to the greenhouse gas neutrality target. These include battery electric vehicles (BEV) and fuel cell electric vehicles (FCEV).
- (ii) Transitional propulsion technologies are relevant but of steadily decreasing importance in driving the transition towards greenhouse gas neutrality. These include internal combustion engines (ICE), plug-in hybrid electric vehicles (PHEV) and hybrid electric vehicles (HEV)).

The sector guideline increases the proportion of KfW Group's financing activities in transformative propulsion technologies and limits the financing activities in transitional propulsion technologies. KfW Group controls the quota for the transitional proportion of total financing volume, ensuring that it will be met.

Scope of application

The following types of financing activities are steered by the sector guideline:

- New financing activities for propulsion-relevant parts of the automotive production (includes suppliers producing components for transformative or transitional propulsion-technologies; limiting quota for transitional drive technologies).
- Research and development in transformative and transitional technologies in the vehicle segment < 3.5t.

The following types of financing activities are **not** steered by the sector guideline:

- New financing for purchase of vehicles or fleets (as well as leasing).
- Production, research and development in the vehicle segment > 3.5t.
- Process steps unrelated to propulsion technology, i.a. pressing plant, shell construction, axles, supplier of automotive parts that are not propulsion-related (i.a. floors, seats, bumpers, mirrors), enameling lines, assembly lines, tests and quality checks, deliveries.
- Financing without a technologically definable financing object. This also applies to financing provided to financial intermediaries, if the financing object is not technologically definable.
- General corporate financing for automobile manufacturers.
- Financing, unrelated to NACE Codes 29.1, 29.2 and 29.3, is not steered by the sector guideline for automotive (i.e. charging infrastructure⁴⁰, production of synthetic fuels and biofuels).

³⁹ As the sector guideline's requirements are focused on the powertrain, NACE Code 29.2 is only relevant for steering in case of a factory financing activity where the powertrain cannot be delineated.

⁴⁰ Charging infrastructure is seen as a transformative technology, support and funding for such projects is therefore unlimited.

Transformative propulsion technologies

- Production plants for transformative propulsion technologies (BEV, FCEV) and their suppliers and associated infrastructure
- Battery production for passenger cars (no outdated technologies such as lead-acid/nickel-cadmium)
- Sustainable investments in propulsion technologies according to the EU taxonomy⁴¹
- Replacement investments in transformative technologies
- Research and development (R&D) in transformative propulsion technologies
- GHG mitigation, energy efficiency and environmental protection measures in production
- Charging infrastructure (no quota imputation)

Table 8: Requirements for transformative and transitional technologies in the automotive sector

Propulsion technologies	Commitments during period 1 01/01/2023-31/12/2024	Commitments during period 2 01/01/2025-31/12/2029	Commitments during period 3 01/01/2030-31/12/2034	Commitments during period 4 from 01/01/2035
Transformative propulsion technologies Challenge and Support	• Min. 83% of new commitment amounts for investment per business unit in above mentioned transformative propulsion technologies	• Min. 93% of new commitment amounts for investment per business unit in above mentioned transformative propulsion technologies	• Min. 95% of new commitment amounts for investment per business unit in above mentioned transformative propulsion technologies	• 100% of new commitment amounts for investment per business unit in above mentioned transformative propulsion technologies
Transitional propulsion technologies Restrict and Exclude	• Max. 17% of new commitment amounts for investment per business unit in transitional propulsion technologies (ICE, PHEV, HEV), their suppliers and replacement investments	• Max. 7% of new commitment amounts for investment per business unit in transitional propulsion technologies (PHEV), their suppliers and replacement investments	• Max. 5% of new commitment amounts for investment per business unit in transitional propulsion technologies (PHEV), their suppliers and replacement investments	• No new commitment amounts for investment per business unit in transitional propulsion technologies (ICE, PHEV, HEV), their suppliers and replacement investments

The following applies:

- No research and development (R&D) in transitional propulsion technologies.
- Commitments in GHG mitigation measures, energy efficiency measures, and environmental protection measures in production of transformative technologies are generally eligible for funding; For transitional technologies, they are eligible for funding provided they do not extend the technical lifetime. It may be assumed that the technical lifetime will not be extended if the measure relates to upgrades to existing facilities that will then continue to operate (i.e. not replacing an old plant with a new one). Such commitments are not taken into account in the quota calculation for transitional or transformative technologies, based on the total cumulative commitments per business unit in transitional and transformative technologies in each respective period.

Abbreviations:

- ICE: Internal combustion engine
- PHEV: Plug-In Hybrid Electric Vehicles
- BEV: Battery Electric Vehicles
- FCEV: Fuel Cell Electric Vehicles
- HEV: Hybrid electric vehicle

⁴¹ PHEVs are an exception to this. They are classified as transitional in this sector guideline. In the EU taxonomy, PHEVs are classified as sustainable until the end of 2024. According to the EU Taxonomy Regulation for Sustainable Investment (Regulation (EU) 2020/852). The EU taxonomy is regularly updated and further specified via delegated acts.

2.6 Shipping Sector

For new financing activities of KfW IPEX-Bank in the shipping sector (NACE 50.1 und 50.2), the sector guideline defines individual efficiency requirements based on the Energy Efficiency Design Index (EEDI) for ship types and sizes (see chapter 2.6.1). In addition, the shipping portfolio is steered towards a 1.5 °C reduction path using real emissions data (see chapter 2.6.2) which are provided by the Poseidon Principles framework.

Scope of application

The following types of financing activities are steered by the sector guidelines:

- New financing to purchase or lease new ships in the below listed “Ship Type” categories (including structurally strengthened ship types, e.g. ice class with corresponding EEDI-deductions for the IMO-requirements).
- Retrofits (adjustments in the existing ship), provided that they prolong the ship’s technical lifetime, are treated like new ships (see scope of application for “new ship” and for “major conversion” according to resolution MEPC.203(62), ANNEX 19).

The following types of financing activities are **not** steered by the sector guidelines:

- New financing for ships that are not subjected to IMO-Regulations and therefore have not been issued with an International Energy Efficiency Certificate (IEEC with notice of the EEDI).
- New financing for the purchase and leasing of new ships outside the “Ship Type” categories listed below.
- Retrofits, which do not prolong the technical lifetime of the corresponding ship (e.g. exhaust gas purification).
- Financing of individual ship components.
- Corporate Financing and other financing activities without a technologically definable financing object. This also applies to financing provided to financial intermediaries, provided that the financing object is not technologically definable.
- General corporate financing for, e.g., shipping companies.

2.6.1 Efficiency requirements for new financing activities

The energy efficiency requirements are aligned with the efficiency requirements defined in the International Maritime Organisation’s (IMO’s) GHG-Strategy reduction targets (-40%/-70% relative by 2030/2050; -50% absolute CO₂-emissions by 2050). Financing can be provided if, at the time of ordering, the reduction factor specified by ship type in the table below in relation to the reference EEDI is met. The EEDI is calculated according to IMO regulations (i.a. Resolution MEPC.203(62)).

Table 9: EEDI reduction factor (in percent)⁴² in relation to the reference EEDI per ship class and size.

Ship Type	Size	Until 31.12.2029	01.01.2030-31.12.2039	01.01.2040-31.12.2049
Bulk carrier	20,000 DWT and above	30	55	>55
	10,000 – 20,000 DWT	0 - 30	0 - 55	0->55
Gas carrier	10,000 DWT and above	30	55	>55
	2,000 – 10,000 DWT	0 - 30	0 - 55	0->55
Tanker	20,000 DWT and above	30	55	>55
	4,000 – 20,000 DWT	0 - 30	0 - 55	0->55
Container ship	200,000 DWT and above	50	55	>55
	120,000 – 200,000 DWT	45	55	>55
	80,000 – 120,000 DWT	40	55	>55
	40,000 – 80,000 DWT	35	55	>55
	15,000 – 40,000 DWT	30	55	>55
	10,000 – 15,000 DWT	0 - 30	0 - 55	0->55
General cargo ships	15,000 DWT and above	30	55	>55
	3,000 – 15,000 DWT	0 - 30	0 - 55	0->55
Refrigerated cargo carrier	5,000 DWT and above	30	55	>55
	3,000 – 5,000 DWT	0 - 30	0 - 55	0->55
Combination carrier	20,000 DWT and above	30	55	>55
	4,000 – 20,000 DWT	0 - 30	0 - 55	0->55
LNG carrier	10,000 DWT and above	30	55	>55
Ro-ro cargo ship (vehicle carrier)	10,000 DWT and above	30	55	>55
Ro-ro cargo ship	2,000 DWT and above	30	55	>55
	1,000 – 2,000 DWT	0 - 30	0 - 55	0->55
Ro-ro passenger ship	1000 DWT and above	30	55	>55
	250 – 1,000 DWT	0 - 30	0 - 55	0->55
Cruise passenger ship (having non-conventional propulsion) ⁴³	85,000 GT and above	30	55	>55
	25,000 – 85,000 GT	0 - 30	0 - 55	0->55

The KfW Group does not finance crude oil tankers > 120,000 DWT, specialized oil-related vessels and vessels related to the laying of oil and natural gas pipelines.

⁴² When a range is specified for the reduction factor, the value is determined by linear interpolation based on the ship's size. The lower value applies to the smaller ship.

⁴³ This is valid for cruise passenger ships with an unconventional propulsion, including diesel-electric propulsion, turbine propulsion and hybrid propulsion system.

2.6.2 Steering towards a 1.5 °C reduction path

In addition to the defined EEDI efficiency requirements above, the shipping portfolio is steered towards the 1.5 °C climate target. For this purpose, the compatibility along a 1.5 °C reduction path for the shipping portfolio is checked on basis of real emissions data, whereby data from the Poseidon Principles framework are used. In the event of exceeding (or the threat of exceeding) the reduction path appropriate countermeasures will be initiated. The sale of individual assets for emission reasons is excluded as a measure.

2.7 Aviation Sector

The guideline for aviation applies to the financing of aircrafts used for transport of humans and goods (NACE-Codes 51.1 and 51.21) as well as for financing to aircraft lessors (NACE-Code 77.35).⁴⁴ KfW Group continuously prioritizes the best technologies available. As for the aviation sector, there are currently no marketable transformative technologies available to promote a greenhouse gas neutral future, the sector guideline ensures Paris-compatibility by systematically limiting emissions of KfW Group's financed aircrafts. In accordance with the underlying decarbonization path published by the International Energy Agency (IEA) it defines a CO₂-budget for new financing activities in the aviation sector, which gradually decreases compared to the previous year. The new commitments from 2019 form the calculated baseline (in representatively adjusted t CO₂/a).

KfW Group steers new financing activities within its CO₂-budget.

Scope of application

The following types of financing activities are steered by the sector guideline:

- KfW Group's worldwide commitments for the financing of aircraft for the transport of humans (NACE Code 51.1) and for the transport of goods (NACE Code 51.21) in aviation including portfolio financing
- General financing to aircraft lessors (NACE Code 77.35)

The following types of financing activities are **not** steered by the sector guideline:

- Commitments outside of aircraft financing, such as airports and the development or production of new aircraft.
- General corporate finance apart from aircraft financing, e.g., commitments to suppliers (such as engine manufacturers).
- Financial activities to financial intermediaries insofar that the object of funding cannot be technologically delimited (except financing to aircraft lessors).

Table 10: The KfW Group's annual, dynamically decreasing CO₂ budget for aircraft financing compared to the 2019 baseline

Time period	Annual reduction in percent
2019 - 2022	2,06%
2023 - 2025	2,86%
2026 - 2030	6,17%
2031 - 2035	9,91%
2036 - 2040	11,27%
2041 - 2050	11,92%

⁴⁴ The sector guideline listed here currently only affects KfW IPEX-Bank, because the other business areas do not make any control-relevant commitments within the scope of application of the sector guideline.

Published by:

KfW Group

Corporate Development and Economics (KE)

09/2026

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Order number: 600 000 496