

KfW Group guidelines on the financing of coal-fired power plants

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KfW's energy-related activities are aimed at supporting a sustainable supply of energy. This reflects KfW's consideration of both environmental and climate protection aspects as well as security of supply. Focus is clearly on the increase of the proportion of renewable energy sources used and of energy efficiency on a national as well as an international level. The volume of new commitments amounted to around EUR 200 billion in this area between 2006 and 2014. This is equivalent to 30% of KfW Group's total new commitment in the period under review. This makes KfW Group one of the largest financiers of environmental and climate protection measures worldwide.

To a limited extent, KfW Group also finances the construction and modernisation of coal-fired power plants. The volume of commitments for coal-fired power facilities totals EUR 2.9 billion for the years 2006 to 2014. This is equivalent to 0.4% of the new commitment volume in this time period.

KfW places great importance on financing highly efficient new power plant projects and also on driving the modernisation of existing plants. Efficiency increases and modernisation of existing coal-fired power plants can leverage a considerable reduction of CO₂ emissions in the short term, while causing low CO₂ abatement costs.

Financing criteria of KfW Group for coal-fired power facilities

KfW has reviewed its financing criteria for coal-fired power facilities and lifted the corresponding requirements even further. In doing so, it applies the relevant position of the German Federal Government of 22 December 2014.¹ Thus, KfW Group always applies financing criteria to projects in Germany and abroad which are in line with the position of the Federal Government on export and investment financing. These are specifically the following criteria that are applicable on a cumulative basis:

- Projects will only be pursued in countries which have a national climate mitigation policy and strategy which is supported by a targeted policy to expand renewables and/or to enhance energy efficiency. The projects must be compatible with this climate change mitigation policy.

¹ cf. "Federal Government report on the financing of international coal-related projects for the Economic Committee of the Bundestag" of 22 December 2014.

- The best available techniques (BAT) must be deployed in line with the current version of the European Industrial Emissions Directive (IED-RL 2010/75/EU).
- Financing for new coal-fired power plants is only possible if
 - in the case of facilities with unit sizes > 500 MW_{el} at least technologies with a planned electrical efficiency of 43% (lignite)² and 44% (hard coal)³ are used, or if
 - facilities with unit sizes < 500 MW_{el} achieve a relative improvement of efficiency compared with the regional average and rank amongst the best 25% of the regional power plant portfolio in this size category,
 - and the technical and spatial preconditions are examined with a view to possible subsequent carbon capture and storage (CCS).
- In the case of new coal-fired facilities which cogenerate heat and power or generate heat, a planned fuel efficiency of at least 75% must be attained⁴.
- In the case of improvements or modernisations of existing coal-fired power plants, the measures funded must result in substantial improvement in the environmental footprint of the power plant.
- In the case of all the projects, the national rules on preventing and minimising any negative environmental and social effects and risks must also be strictly complied with.
- Financing in countries which are not EU or OECD members must also be subjected to an environmental and social impact assessment which - in addition to the relevant national rules - must at least be based on internationally recognised standards (e.g. of the World Bank Group or the EU).

Specific criteria for development financing⁵:

- In the field of development financing, the emphasis in terms of climate mitigation policy should be on expanding renewables and boosting energy efficiency.

² Applies to facility with unit sizes above 500 MW_{el} (net, at the guarantee point, lower calorific value, Rhineland lignite, wet cooling tower, flue-gas desulphurisation facility without recirculation, pure power generation, ambient factors: water temperature 12°C, 60% air humidity, local air pressure 1 bar, air temperature 15°C). Values based on German site conditions. To be adjusted according to differing local conditions.

³ Applies to facility with unit sizes above 500 MW_{el} (net, at the guarantee point, lower calorific value, calorific value > 27 MJ/kg, wet cooling tower, flue-gas desulphurisation facility without recirculation, pure power generation, ambient factors: water temperature 12°C, 60% air humidity, local air pressure 1 bar, air temperature 15°C). Values based on German site conditions. To be adjusted according to differing local conditions.

⁴ Applies to all unit sizes at the same conditions as for the electrical efficiency for new power plants (footnotes 2 and 3).

⁵ Applies to the business areas KfW Development Bank and DEG.

- In order to further strengthen the transformational nature of energy projects in German development cooperation, development policy will cease to promote the new construction of coal-fired power stations and the retrofitting of decommissioned coal-fired power stations in partner countries.
- In the context of development cooperation, projects to modernise power-plant technology will only be funded in line with the following, cumulative criteria:
 - Projects will only be pursued in countries with a national climate mitigation policy and strategy, which is supported by a targeted policy to expand renewables and/or to enhance energy efficiency. The projects must be compatible with this climate mitigation policy.
 - The best available techniques (BAT), defined in line with the EU Industrial Emissions Directive (IED-RL 2010/75/EU) will be used. Here, the technical and spatial preconditions must be examined with a view to possible subsequent carbon capture and storage (CCS).
 - No adequate alternatives in the field of renewable energy are available in the partner country that ensure a secure energy supply and whose higher costs can be covered by additional national or international funding.
 - In the case of coal-fired facilities with cogeneration of heat and power to generate heat, fuel efficiency of at least 75% is required. The facilities must also be among the lowest-emission facilities in the respective country and must use the best available techniques (BAT) pursuant to the EU Industrial Emissions Directive.
 - The project must make a significant contribution to improving the country's energy supply security and must be shown to improve access to energy for poorer sections of the population.
 - The project must be subject to an environmental and social impact assessment based on international standards (e.g. World Bank, IFC or EU) and the respective national provisions.