Promotional programs for energy efficient renovation

Main elements and success factors

30 June 2020

Bettina Dorendorf
Prokuristin
Mittelstandsbank und Private Kunden
Übergreifende Themen der Inlandsinanzierung
Nachhaltigkeitsbeauftragte/Sustainable Finance
Bettina.Dorendorf@kfw.de
18 November 1948

Law Concerning KfW enters into force
More than 70 years of KfW
Financing with a public mission

- Promotional bank of the Federal Republic of Germany
- Established in 1948 as Kreditanstalt für Wiederaufbau
- Shareholders: 80% Federal Republic, 20% federal states
- Headquarters: Frankfurt am Main
  Branches: Berlin, Bonn and Cologne
- Representative offices: about 80 offices and representations worldwide
- Balance sheet total 2019: EUR 506.0 billion
- Financing volume 2019: EUR 77.3 billion
- 6,705 employees (2019) \(^1\)
- Best long-term rating: Aaa/AAA/AAA

\(^1\) The average number of employees including temporary staff but without members of the Executive Board and trainees
 Worldwide presence
About 80 representative offices

Source, comment, footnote

Number of KfW employees


6,705
### Domestic and International Promotion

#### Business Sectors

<table>
<thead>
<tr>
<th>Domestic Promotion</th>
<th>International Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SME Bank &amp; Private Clients</strong></td>
<td><strong>We promote development</strong></td>
</tr>
<tr>
<td>Digital mass business</td>
<td>KfW Development Bank DEG</td>
</tr>
<tr>
<td><strong>Customised Finance &amp; Public Clients</strong></td>
<td><strong>We support internationalisation</strong></td>
</tr>
<tr>
<td>Individual financing solutions and municipal finance</td>
<td>KfW IPEX-Bank</td>
</tr>
<tr>
<td><strong>KfW Capital</strong></td>
<td><strong>International export and project finance</strong></td>
</tr>
<tr>
<td>Venture capital fund investments</td>
<td>KfW Capital</td>
</tr>
</tbody>
</table>

**KfW**
Facing challenges from megatrends

Climate change & environment  Digitalisation & innovation
Globalisation  Social change

Climate change and the environment, globalisation, digitalisation and social change – we face great challenges today. KfW is one of the world’s leading promotional banks. It applies its decades of experience on behalf of the Federal Government and the federal states to improve the economic, social and ecological living conditions around the world.
Domestic promotion
Promotional figures in 2019

370,000
energy-efficient housing units

Housing promotion safeguards around
515,000
jobs in skilled crafts and suppliers

2,180
municipal projects for public infrastructure financed

43
bn
€
total commitments

37,000
start-ups and SMEs supported

155m
euros for venture capital

7.9
bn
euros for expanding renewables and energy efficiency for corporate customers

83,000
people
Studies or training and education of

30.6.2020; Online-Konferenz DFB EW; Energetische Gebäudesanierung in Deutschland und Frankreich
Domestic promotion
KfW SME promotion – multi-faceted priority areas in 2019

In long-term average, KfW is involved in around 25% of SME financings in Germany.

**Priority area innovation**

437 million euros in new commitments to tap new markets and foster digital transformation

**Priority area environment & sustainability**

222 million euros in new commitments for measures to promote environmental protection and sustainable operations

For measures of particular relevance in terms of economic promotion, individual financing approaches are possible.

**Priority area start-ups**

2,990 million euros in new commitments to support business founders and foster entrepreneurial spirit.

**Priority area energy transition in the SME sector**

7,855 million euros in new commitments to increase energy efficiency of buildings and production facilities and expand renewables

**Priority area corporate investment**

3,839 million euros in new commitments to strengthen competitiveness and tap new markets

Promotion focuses on smaller companies, which often have impeded access to the capital market: approx. 85% of loans go to companies with an annual turnover of up to 10 million euros.
On-lending Principle – A Successful Business Model
Promotional Mandate Defined by KfW Law

Customer submits loan application with regular bank before start of investment

If approved, application will be forwarded to KfW

Customer's bank enters into the loan agreement and disburses the loan to customer

KfW refinances the loan for the financing partner at favorable interest rates

Customer
Financing partner (customer's bank)
KfW

Advantages
✓ Promotion available in all regions
✓ No KfW branch network necessary
✓ Neutral w.r.t financing partners
✓ Diversification of risks
Online access to promotional product information

Online application and approval for promotional loans and grants
KfW online portal for grants
Adavantages for the customers

› easy, flexible and secure application process and payment process
› Intuitive design
› No long waiting times – customers get immediate response
› Optimized for mobile devices (tablet, smartphone)
› Customers have permanent access to contracts and documents
KfW promotion for the building sector

- Support for 5.6 m housing units since 2006-2019
- Currently approx. every 4th newly constructed housing unit supported
- KfW Efficiency House setting market standard
- EUR 380 bn investments triggered over 14 years
- Mandatory involvement of an energy expert (quality management)
- Products contribute considerably to accomplish the national efficiency goals
Promotional programs for energy efficiency

key principles

1. The efficiency standards achieved are more ambitious than the legal requirements
   German Energy Saving Ordinance (EnEV) is the baseline

2. The better the energy efficiency level reached, the higher the promotional incentives

3. KfW-Efficiency House: brand for energy efficiency
   - Market standard for new and existing buildings
   - Easy to understand: the smaller the number the higher the energy efficiency

4. Promotional programs are based on a holistic approach
   - Open for all types of investors (including contractors)
   - Free choice of technology (heating system and building envelope)
Energy efficient construction and refurbishment
The efficiency house principle

Main requirement
Primary energy demand QP
(energy required under consideration of all losses incurred through the provision of the energy source)

Secondary requirement
Building envelope
(residential buildings: transmission heat loss HT, non-residential buildings: mean heat transition coefficient)

The KfW efficiency house represents a low level of energy consumption and is based on the German building code (transposition of the EPBD)
Promotional programs for residential buildings – Set-up Energy Efficient Refurbishment

<table>
<thead>
<tr>
<th>Promotional Level based on the Energy Efficiency Ordinance</th>
<th>Maximum promotional loan amount</th>
<th>Loan-scheme</th>
<th>Grant-scheme % of eligible costs**</th>
</tr>
</thead>
<tbody>
<tr>
<td>KfW-Efficiency House 55</td>
<td>120 TEUR per housing unit</td>
<td>Interest rate</td>
<td>Partial debt relief</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0,75 % p.a. effective *</td>
<td>40,0 %</td>
</tr>
<tr>
<td>KfW-Efficiency House 70</td>
<td></td>
<td></td>
<td>35,0 %</td>
</tr>
<tr>
<td>KfW-Efficiency House 85</td>
<td></td>
<td></td>
<td>30,0 %</td>
</tr>
<tr>
<td>KfW-Efficiency House 100</td>
<td></td>
<td></td>
<td>27,5 %</td>
</tr>
<tr>
<td>KfW-Efficiency House 115</td>
<td></td>
<td></td>
<td>25,0 %</td>
</tr>
<tr>
<td>KfW-Efficiency House Monument</td>
<td></td>
<td></td>
<td>25,0 %</td>
</tr>
<tr>
<td>Single Measures</td>
<td>50 TEUR per housing unit</td>
<td></td>
<td>20,0 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>20 %</td>
</tr>
</tbody>
</table>

* As per February 2020; ** based on maximum corresponding loan amount

Private customers have the choice

30.6.2020; Online-Konferenz DFB EW; Energetische Gebäudesanierung in Deutschland und Frankreich
## Energy Efficient Refurbishment - Loans

### Loan and grant conditions

<table>
<thead>
<tr>
<th>Loan</th>
<th>Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>maximum loan amount:</td>
<td>50.000 EUR (single m.) bzw. 120.000 EUR (efficiency house) per housing unit</td>
</tr>
<tr>
<td>tenor:</td>
<td>up to 30 years</td>
</tr>
<tr>
<td>fixed interest rate:</td>
<td>10 years</td>
</tr>
<tr>
<td>amortisation free years:</td>
<td>1 to max. 5 years</td>
</tr>
<tr>
<td>Abruffrist:</td>
<td>12 months, extendible up to 24 months</td>
</tr>
<tr>
<td>commitment fee:</td>
<td>12 months free, 0,15 % p. month thereafter</td>
</tr>
<tr>
<td>early repayment:</td>
<td>possible; early repayment fee</td>
</tr>
<tr>
<td>combination:</td>
<td>eligible to combine with other promotional products</td>
</tr>
</tbody>
</table>

**Grant conditions:**

- **Efficiency House (EH):**
  - 25 bis 40 % of eligible cost (max. 48.000€ / housing unit)

- **Single measures (EM):**
  - 20 % of eligible cost (max. 10.000€ / housing unit)

---

* Per 02/2020, all maturities
How does the promotional scheme work in detail
Energy efficient refurbishment - credit

1. Owner
   - Get information (www.energiesparen.kfw.de)

2. Energy consultant
   - Concept/plan for refurbishment activities
   - Check if suitable for promotion (online tool)
   - Extra promotion available for integrated concept/energy efficiency consultancy

3. Owner’s bank
   - Check/decide on creditworthyness
   - File application for promotional loan
   - Full online application process

4. KFW
   - Loan commitment and disbursement

5. Owner
   - Carry out refurbishment project

6. Owner’s bank
   - Ongoing consultancy/supervision
   - Confirm energy efficiency level reached
   -_up to EUR 4.000 grant available for project planning and supervision

7. KFW
   - Confirm that promotional loans has been used in compliance with promotional loan conditions

8. KFW
   - Partial debt relief is booked according to energy efficiency level reached
Energy Efficient Construction and Refurbishment
Grants for energy efficiency planning and assistance through experts

- **Grants of 50%** of eligible costs of **energy consultant**, max. 4,000 Euro per applicant and project

- For planning of energy efficiency measures and assistance until implementation of the measures

Available in combination with KfW programme **Energy Efficient Construction as well as Energy Efficient Refurbishment**

- **All energy efficiency experts involved in promotional process** must be listed in a targeted register, set up in 2012 to support the promotional programs (approx. 13,000 experts as of today).
  
  www.energieeffizienz-experten.de

- Listing requires proof of professional experience and quality;
- re-listing every 3 years;
- Ongoing training required to keep up with technical, legal, market development
- “AAA-list” reputation among energy efficiency experts due to high professional expectations
Quality management system for Energy Efficient Buildings

1. Online confirmation
   - Plausibility checks of energetic parameters through a verifying-tool

2. Calculation check
   - Checking the building's energetic calculation
   - Selected by a random sample

3. On-site-visits
   - Checking the realised measures compared to the energetic calculation
   - Selected by a random sample

4. Energy Experts
   - Involvement of an energy expert is mandatory

Due to the Quality System the KfW Efficiency Standards are more reliable
Customer orientation and support

- Digitalisation - changing customer expectations
- Very short response time ("Cappuchino ")

Financial support for Energy expert

- Grant for involvement of professional energy expert
- High degree of standardisation
- Choice between loans and grants

Online application and approval process

- Phone hotline covered by professional staff addressing customer questions of all kind

Info-Center/Hotline

- Dedicated telephone and email support to address technical questions

KfW academy

- Regular in-person training in different regions in Germany for financial institutions (account managers) helping to sell KfW products
- Regular training for energy experts on KfW products and promotional conditions

Stable, financially attractive and flexible product offer

- Making it easy to invest into energy efficiency

30.6.2020, Online-Konferenz DPBEW; Energetische Gebäudesanierung in Deutschland und Frankreich
Basis for success

Government mandate

- Assignment of important role role in implementing the energy transition

Availability of public budget

- Long term availability of dedicated public funds -> basis for development of reliable product offer

On-lending model and distribution / marketing

- Broad network with business/financing partners
- Ongoing training / information on product development for financial institutions and other multipliers

Top refinancing conditions on capital market

- For on-lending banks / financial partners (cheap loans)

Stable product offer – basis for customer investment planning

- High degree of standardisation

Awareness raising

- Maintaining a tailor-made, ongoing stakeholder information & dialogue across the entire spectrum of stakeholders
Creating a win-win situation for all parties involved

For promotional customers
- Attractive promotional conditions (flexibility – choice between loans and grants; financially attractive conditions: very low interest rate; partial debt relief)
- Easy access to promotional product spectrum (web-based; customer bank)
- Professional client support through mandatory involvement of an energy expert
- Fast online approval process for promotional loan and grant products ("cappuchino")

For on-lending institutions (commercial banks/savings banks and insurance companies)
- Enhanced product spectrum for their clients, improvement of cross-selling potential
- Access to liquidity without capital market refinancing costs
- Attractive handling fee to compensate for on-lending activities
- Free of charge ongoing training and information for bank employees

For the public budget / regional economy
- Job creation
- Additional income from tax and social security contributions
Lessons learnt
Energy-efficient construction and refurbishment

- The more **transparent and simple** the promotional scheme …
  - the better it is to understand and
  - the **easier it is to distribute**

- The **mandatory involvement of an energy expert** is very important to
  - provide comfort to the investor regarding his energy efficiency project
  - assures a high degree of quality and reliability regarding energy efficiency level achieved
  - assures target-oriented use of public funds

- **Monitoring of promotional effects** is important to show
  - economic and climatic impact
  - contribution to fullfill the goals of the Federal government

- Easy access and digital application and approval channels are the key for future success
Promotional products well prepared for the future are

› Easy to understand, easy to access and easy to apply for

› Available via digital channels

› Everywhere where the customer seeks for information
Thank you for your attention!

Bettina.Dorendorf@kfw.de
+49 30 20264-3277