



UNTIED LOAN GUARANTEES 71

Interest in untied loan guarantees to safeguard supplies of raw materials to German industry was very strong in 2020. There was particularly high demand for raw materials for key and future technologies. Due to the pandemic, many projects were initially postponed at an early planning stage. In the case of three projects, the eligibility for cover in the light of raw material policy considerations was confirmed, while an offer of cover was issued for two projects and a guarantee provided for one project.

12 raw materials in 14 countries

Over the last five years, the Federal Government has confirmed the eligibility of raw material projects in 14 countries for 12 different raw materials in the light of supply considerations.

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4.7 billion

The Federal Government's exposure under aggregate outstanding guarantees stood at 4.7 billion euros as of the end of 2020.

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UFK ENQUIRIES – DISTRIBUTION AMONG THE TYPES OF RAW MATERIALS IN 2020

	Raw materials	Number
Minerals		25
	Copper	6
	Rare earths	3
	Cobalt	3
	Vanadium	2
	Lithium	2
	Bauxite	1
	Aluminium	1
	Platinum group metals (PGM)	1
	Nickel	1
	Palladium	1
	Molybdenum	1
	Pig iron	1
	Tungsten	1
	Ferronickel	1
Energy raw materials		5
	LNG	2
	Methanol	1
	Bioethanol	1
	Oil	1
Other raw materials		5
Total 2020		35

THE YEAR AT A GLANCE

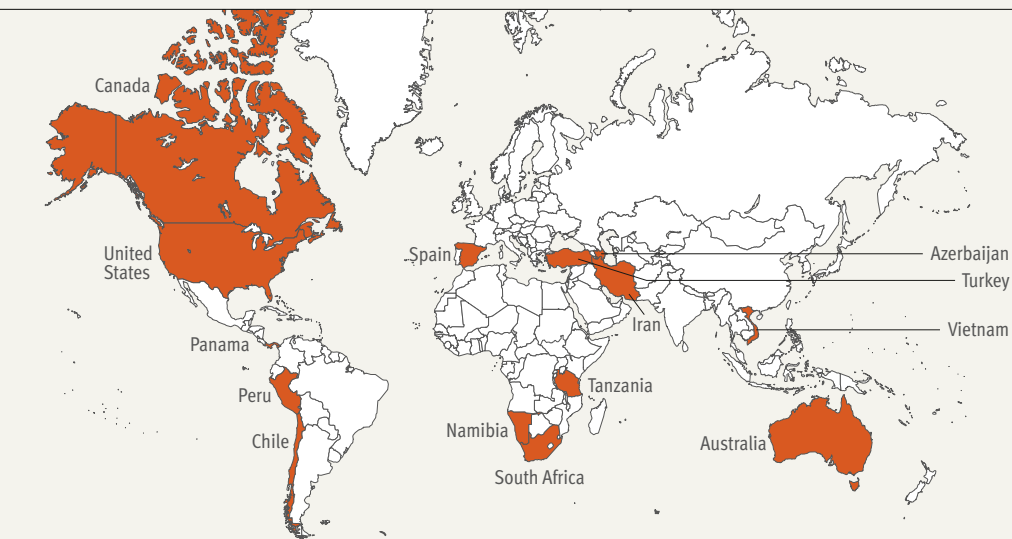
As in the previous year, 2020 saw continued high interest in raw materials for future and key technologies such as electromobility and renewable energies. These raw materials include rare earths, cobalt and lithium as well as conventional industrial raw materials such as copper in particular. The focus is on finding ways of safeguarding supplies for the German industry. The further development of key technologies depends on the existence of stable value chains.

The raw material markets were largely characterised by significant price fluctuations in 2020. Many projects that were still at an early planning stage were temporarily deferred due to the uncertainties arising in connection with the Covid-19 pandemic. However,

the persistently high number of inquiries testifies to the fundamental need for cover for raw material projects. The pandemic also highlighted the supply chain risks resulting from a strong regional concentration of sources of raw materials and the dominance, in particular, of Asian market participants. Securing quantities of raw materials under long-term purchase contracts has therefore additionally grown in importance for companies.

UFK-GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY
► Untied Loan Finance

UFK UNDERWRITING PRACTICE – COUNTRIES



 Countries where raw material projects were regarded as eligible for support during the past five years.

In 2020, a new untied loan guarantee worth a total of 445 million euros (plus cover for interest) was issued. In addition to this, offer of cover for 220 million euros (plus cover for interest) was provided for a further project. No new **applications** were submitted (2019: two). At 35 (2019: 33), the number of **inquiries** remained at a high level. Most of these inquiries related to mineral raw materials (primarily copper). In 2020, plans for three of these projects (one for pig iron, one for copper and one for tungsten) had already progressed far enough for the Federal Ministry of Economic Affairs and Energy to confirm their **eligibility for cover in the light of raw materials supply considerations**.

12 raw materials in 14 countries

All in all, the Federal Government has confirmed the eligibility of 22 projects in 14 countries around the world in the light of supply considerations over the last five years. These projects entailed 12 different mineral and energy sources, thus underscoring the range of raw materials and projects for which untied loan guarantees are available.

The Federal Government's maximum liability (exposure) under the guarantees issued and still on risk – including cover for interest – stood at 4.7 billion euros at the end of 2020.

4.7 billion

Of this, raw material projects accounted for 4.5 billion euros, while 0.2 billion euros was for development-bank projects aimed at expanding and promoting market-economy structures

in other countries. As of the end of the year, the portfolio comprised a total of twelve guarantees, including ten guarantees for raw material projects and two for development-bank projects.

The untied loan guarantees paid for themselves in the year under review from the receipt of premiums and fees. No indemnification was paid.



Untied loan guarantees for corporate finance

In January 2020, the Federal Government adopted a new raw materials strategy, under which the scope of the untied loan guarantees was extended to include corporate financing, in which the funds are not tied to a specific investment project. The existence of a long-term raw material supply contract with a German offtaker as well as compliance with environmental, social and human rights standards are still prerequisites for a guarantee. This new product attracted a great deal of interest in the market and was the subject of numerous inquiries.

The 2020 Budget Act provided for a joint statutory cover limit of 80 billion euros for the issue of untied loan guarantees, investment guarantees and European Investment Bank loans.

Example of a project: The Northvolt project in Sweden – battery cell production for electric vehicles

In 2020, the German government granted an untied loan guarantee of 445 million euros (plus cover for interest) for the Northvolt Ett project in Skellefteå, Sweden. Long-term supply agreements between the project company and the Volkswagen Group as well as BMW AG forms the basis for the Federal Government’s participation in financing this project. In addition to the offtake

agreements, Volkswagen and BMW are also involved in the project as investors. With the support of the Federal Government, the two automobile manufacturers are able to secure supplies of high-quality lithium-ion battery cells, which are urgently needed for the production of electric vehicles, over a period of at least seven years. Accordingly, the offtake agreements are making a

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significant contribution to the technological transformation of the German automotive industry and supporting the further expansion of a future technology that is of crucial importance for Germany and Europe.

Upon completion in 2022, Northvolt Ett will operate one of the largest battery cell production facilities in Europe with an annual output of up to 40 GWh. The project also sets standards as regards environment and sustainability thanks to the use of electricity from solely renewable sources and the insourcing of cathode material. Northvolt Ett is also seen as a pilot and reference project for the “Northvolt Two” production plant, which is to be built in a joint venture between Northvolt and Volkswagen in Salzgitter by 2024.

The external finance of 1.6 billion US dollars is being provided by commercial banks and pension funds with the participation of the Federal Government (untied loan guarantees), the European Investment Bank and ECAs from France, Japan and South Korea. SMBC (as the untied loan guarantee agent), Uni Credit Bank, Danske Bank, Siemens Bank, Swedbank, Intesa Sanpaolo, Nordic

Investment Bank, ING, BNP Paribas Fortis, Société Générale, KfW IPEX-Bank and SEB are involved in the financing under the untied loan guarantee of 525 million US dollars.

By issuing the untied loan guarantee, the Federal Government is making an important contribution to the expansion of a forward-looking technology in Germany.

Construction of Northvolt Ett's main production plant in Skellefteå, Sweden.

