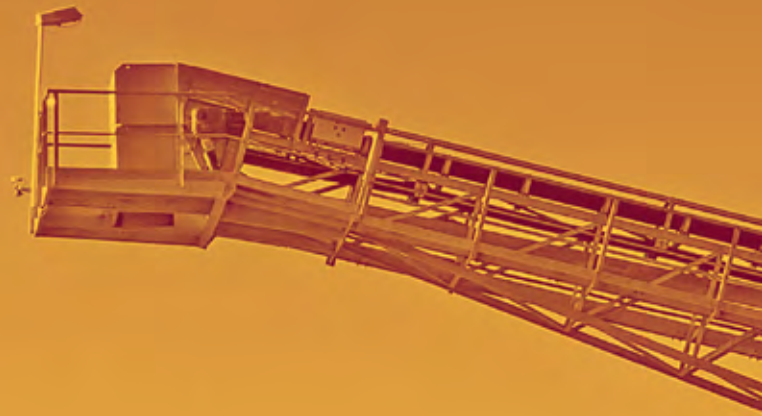


Untied Loan Guarantees

Interest in Untied Loan Guarantees to cover supplies of raw materials to German industry remained strong in 2021. There was particularly pronounced demand for raw materials for key and future technologies. Due to the pandemic, however, many projects were initially postponed at an early planning stage. In the case of five projects, eligibility for cover in the light of raw material policy considerations was confirmed.



13 / 11



Over the last five years, the Federal Government has confirmed the eligibility of raw materials projects in 13 countries for eleven different raw materials in the light of policy considerations.

Page 80

4.7 billion euros



The Federal Government's exposure under aggregate outstanding guarantees came to 4.7 billion euros as of the end of 2021.

Page 80



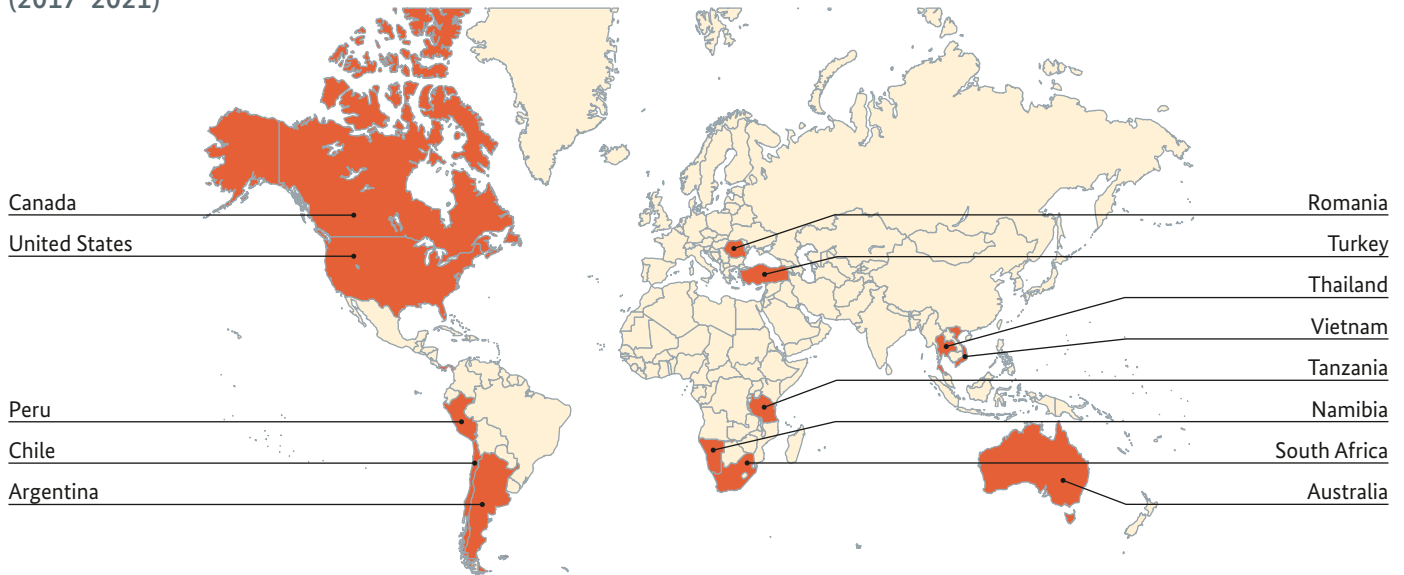
**UFK enquiries – distribution
among the types of raw materials
in 2021**

Raw materials	Number
Minerals	20
Lithium	5
Copper	5
Nickel	2
Tungsten	2
Platinum group metals (PGM)	1
Ferrochromium	1
Iron ore	1
Zinc	1
Vanadium	1
Rare earths	1
Other raw materials	15
Total 2021	35

The year at a glance

The commodity markets were characterised by rising prices and supply chain constraints in 2021. The global economy is currently in a phase of recovery with correspondingly high demand for raw materials, which is being faced with supply chains that continue to be hampered by the pandemic. The combination of these effects is causing prices to rise. National COVID-19 measures triggered severe shortages of supplies in the markets for industrial raw materials in particular, as, for example, mines were temporarily closed and supply chains disrupted. In addition, the digital and green transformation of the economy is ushering in a structural increase in demand for raw materials for future and key technologies such as electromobility, semiconductors and renewable energies. However, due to the long-term investment cycles in the commodities industries, the rising prices have so far not produced any notable increase in capital spending in this sector. Still, the pandemic highlighted the supply chain risks resulting from the strong regional concentration of sources of raw materials and the dominance, in particular, of

UFG underwriting practice – countries where raw material projects were regarded as eligible for support (2017-2021)



Asian market participants. Securing quantities of raw materials under long-term purchase contracts has therefore additionally grown in importance for companies.

No new Untied Loan Guarantees were issued in 2021 (2020: one). At 35 (2020: 35), the number of **inquiries** remained high and primarily concerned mineral raw materials for key technologies (mostly copper and lithium). In addition, there was a greater number of inquiries in connection with imports of green hydrogen or green ammonia. This raises the question for the Federal Government as

to the suitability of Untied Loan Guarantees for such transformation projects. Furthermore, the possibility of using the Untied Loan Guarantee for corporate finance that is not based on the economic viability of a specific investment project but on the creditworthiness of a (raw materials) company attracted a great deal of interest in the market and was the subject of numerous inquiries. Plans for a total of five projects had already progressed far enough for the Federal Government to confirm their eligibility for **cover in the light of raw material policy considerations** in 2021 (three copper, one nickel sulphate and one lithium project).



13/11

All in all, the Federal Government has confirmed the eligibility of 23 projects in 13 countries around the world in the light of raw material policy considerations over the last five years. These projects entailed eleven different raw materials, 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 2021, spread over 12 guarantees. Of these, commodity projects accounted for 4.0 billion euros (nine guarantees), development-bank projects for 0.2 billion euros (two guarantees) and a battery cell project for 0.5 billion euros (one guarantee). As the two development bank projects were fully discharged as planned at the

end of 2021, liability (exposure) will be duly reduced after the completion of the liability release process. In addition, as indemnification of 26.4 million euros was paid for the Hemerdon tungsten project in the United Kingdom, this project will also be removed from the guarantee portfolio once the indemnification process has been completed.

The 2021 Budget Act provided for a joint statutory cover limit of 75 billion euros for the issue of Untied Loan Guarantees, investment guarantees and European Investment Bank loans. The UFK guarantees are self-financing in the long term on the basis of the fees and premiums.



4.7 billion euros

INFO

For further details, please contact:

Tel.: +49 (0)40 / 88 34 - 90 00

info@ufk-garantien.de

www.agaportal.de/en



Development on the commodity markets

Mineral raw materials are indispensable for industrial production and technological progress and thus for the preservation, expansion and further development of economic, ecological and sociocultural prosperity. In particular, decarbonisation and the planned carbon neutrality will generate strong demand for raw materials. According to the International Energy Agency (IEA), many countries around the world jointly accounting for around 70% of current emissions, have expressed their commitment to climate neutrality by 2050.

Transformation technologies, i.e. electromobility and renewable energies, will spur demand for raw materials such as lithium, rare earths, cobalt, nickel and copper substantially. Light and heavy rare earths are used to produce high-performance permanent magnets, which are found in electric motors, electric vehicles and wind turbine generators for example. Lithium is required for powerful batteries in electric vehicles. Another factor in the decarbonisation of the economy is the use and carbon-free production of hydrogen. In particular, demand for iridium and scandium for electrolysis technologies is expected to rise.

These developments are also borne out by the Federal Government's own experience. In 2021, numerous inquiries were received for the use of Untied Loan Guarantees for projects entailing commodities for these new technologies. In addition, there were also a number of inquiries for green hydrogen and ammonia as well as battery cell projects.