

11 raw materials in 15 countries

Over the last five years, the Federal Government has confirmed the eligibility of raw material projects in 15 countries for 11 different raw materials in the light of supply considerations.

660 million

Two applications worth 660 million euros were received for untied loan guarantees in 2019.

UNTIED LOAN GUARANTEES

Interest in untied loan guarantees to safeguard supplies of raw materials to German industry remained at a very high level in 2019. There was particularly strong demand for raw materials for key and future technologies. Final cover was provided for two transactions. 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 a further project. In this way, the Federal Government is promoting the future viability of the German economy and making an important contribution to achieving the climate targets.

Technologies of the future

There is strong demand for raw materials for e-mobility and renewable energies such as rare earths, lithium and copper.

4,2 billion

The Federal Government's exposure under aggregate outstanding guarantees came to 4.2 billion euros as of the end of 2019.

UFG-GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY

► Untied Loan Finance

UFG ENQUIRIES – DISTRIBUTION AMONG THE TYPES OF RAW MATERIALS

	Raw materials	Number
Minerals		22
	Lithium	6
	Copper	4
	Tungsten	2
	Rare earths	2
	Fluorspar	1
	Graphite	1
	Aluminium	1
	Gold	1
	Iron ore	1
	Steel	1
	Platinum group metals	1
	Zinc	1
Energy raw materials		7
	Methanol	2
	LNG	2
	Natural gas	3
Other raw materials		4
Total 2019		33

THE YEAR AT A GLANCE

Copper, lithium and rare earths were the main focus of attention for untied loan guarantees in 2019. These are raw materials that are at the heart of the development of key and future technologies for German industry. Due to its conductivity, copper is an essential component in wind and solar parks, in electric vehicles and the necessary charging infrastructure. Lithium is a crucial element for batteries used for electromobility and energy storage. Rare earths, such as neodymium and praseodymium, are needed for electric motors, among other things. These raw materials are thus indispensable for the mobility and energy transformation.

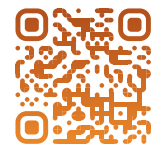
In the copper sector, several projects were completed and covered at the beginning of 2019. They were part of a whole series of projects that had been developed in the wake of rising raw material prices in 2017 and 2018 and which it was possible to execute profitably and on the basis of secure financing. These projects are now being implemented with the support of an untied loan guarantee. The flat or even declining prices in the further course of 2019 in the wake of political and economic uncertainties led to a reduction in the number of new copper projects under development. There were also delays in projects that were at an early stage of development. Despite this, global demand for copper remains high and the medium-term outlook is favourable.

Interest in projects for the extraction of raw materials such as rare earths and lithium continued to grow sharply in 2019. Forecasts assume high growth in demand for these raw materials in the coming years and decades, far exceeding current availability. More-

over, supply-side risks are being posed by the strong regional concentration of deposits of raw materials combined with political uncertainties. The strong dominance of Asian market participants, especially China, is also a source of uncertainty. Against this backdrop, companies around the world are endeavouring to secure the required quantities of raw materials under long-term offtake agreements and collaborations.

In 2019, two new untied loan guarantees worth a total of 600 million euros were issued. In addition to this, an offer of cover for 223 million euros (plus cover for interest) was provided for a further project. All in all, two (previous year: four) **applications** for new

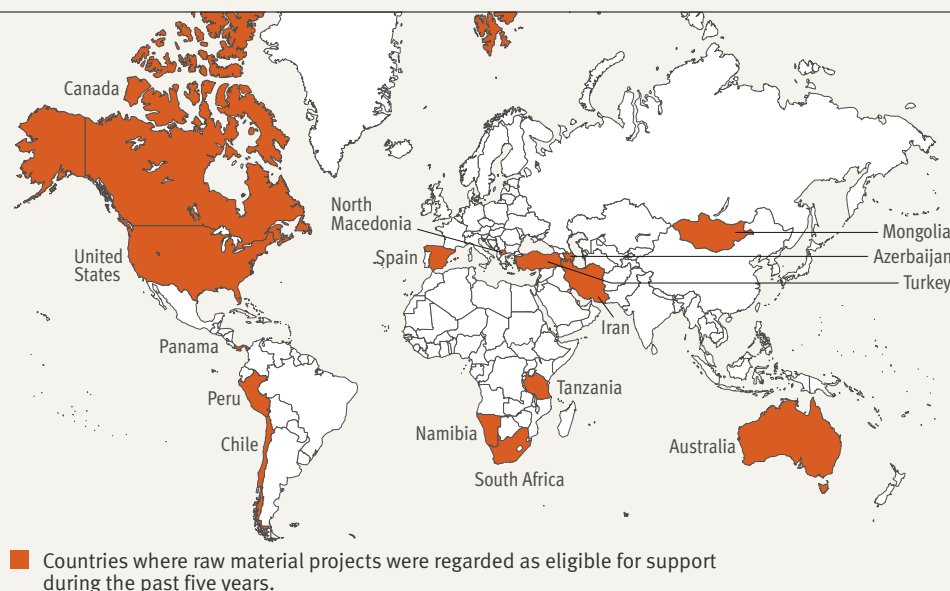
projects with a combined value of 660 million euros (plus cover for interest) were submitted. At 33 (2018: 27), the number of **inquiries** remained at a high level. Most of these inquiries related to mineral raw materials (primarily lithium). In 2019, plans for three of these projects (two lithium projects and one rare earths project with a combined value equivalent to around 700 million euros) had already progressed far enough for the Federal Ministry for Economic Affairs and Energy to confirm their **eligibility for cover in the light of raw materials supply considerations**.



For further details, please contact:

Phone: +49 (0)40 / 88 34-90 00
 info@ufk-garantien.de
 agaportal.de/en > raw materials

UFK UNDERWRITING PRACTICE – COUNTRIES



The Pumpkin Hollow copper project in Nevada – securing the supply of raw materials for the technologies of the future

In 2019, the German Government granted an untied loan guarantee of 115 million US dollars for the Pumpkin Hollow underground mining project in Nevada, United States. A long-term supply agreement between the project company and the German company Aurubis AG forms the basis for the Federal Government's participation in the finance for this project. With headquarters in Hamburg, Aurubis is one of the world's largest copper producers. Backed by the support of the Federal Government, the company is able to secure supplies

of copper concentrate from the mine for processing in the copper smelter in Hamburg over a period of eight years. The supply agreement safeguards the long-term availability of copper for German industry, which is almost entirely dependent on imports from abroad.

Due to its high conductivity, copper is a central component in many applications, particularly also the green technologies of the future such as electromobility and renewable energy sources. Given the sharp rise in demand for these products in connection with increasing climate awareness, demand for copper is also expected to remain high in the foreseeable future.

The site of the Pumpkin Hollow Mine in Nevada, United States, during the construction phase in 2019.



The Pumpkin Hollow underground copper mining project is being developed in Nevada, a US state in which mining plays a dominant role. The project developer and owner is the Canadian mining company Nevada Copper Corporation. The investment budget of around 370 million US dollars is mainly attributable to the construction of the underground mine and the processing plant on the surface. Roughly half of the project is equity-financed, while the other half is being funded via various sources of debt capital. During the operating phase the initial annual output will reach about 100,000 tons of copper concentrate. The project is being implemented in line with international environmental, social and human rights requirements in accordance with the IFC Performance Standards.

By granting an untied loan guarantee, the Federal Government is making an important contribution to safeguard supplies of copper to German industry and thus promoting the expansion of sustainable industries such as electromobility and renewable energies.

All in all, the Federal Government has confirmed the eligibility of 25 projects in 15 countries around the world in the light of raw materials supply considerations over the last five years. These projects entailed 11 different mineral and energy resources, thus underscoring the range of raw materials and projects for which the untied loan guarantee instrument is available.

As of the end of the year, the portfolio comprised a total of eleven guarantees, nine of which were guarantees for raw materials projects. Two guarantees for development bank projects aimed at installing and promoting market-economy structures in foreign countries. The Federal Government's maximum liability (exposure) under the guarantees issued and still on risk – including cover for interest – stood at 4.2 billion euros at the end of 2019. Of this, raw material projects accounted for 4.0 billion euros and development-bank projects for 0.2 billion euros. One guarantee for a development-bank project of 150 million euros was prematurely terminated in 2019.

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

The 2019 Budget Act provided for a joint statutory cover limit of 58 billion euros for the issue of untied loan guarantees, investment guarantees and European Investment Bank loans.