

Climate Policy Sector Guidelines for ECG and DIA - FAQ

- I – General issues 3**
 - 1. When do the Sector Guidelines enter into force? 3
 - 2. How were the Sector Guidelines developed; when and how will they be reviewed? 3
 - 2.1. On what basis were the Sector Guidelines developed? 3
 - 2.2. What are the arguments for using the IEA NZE scenario as basis for the Sector Guidelines? 3
 - 2.3. How were the sectors selected? 3
 - 2.4. When and how will the Sector Guidelines be reviewed? 3
 - 3. What is the scope of the Sector Guidelines and how are they categorised? 4
 - 3.1. Do the Sector Guidelines also apply to Untied Financial Credits (UFK)? 4
 - 3.2. What happens to transactions for which no sector guideline applies? 4
 - 3.3. What is the reference point for categorising retrofits in Export Credit Guarantees? 4
 - 3.4. What is the reference point for the categorisation into new and existing projects for Investment Guarantees? 5
 - 4. Does the Climate Strategy of the guarantee instruments lead to higher costs for applications and assessments? 5
 - 4.1. Will the workload in the application process for an Export Credit Guarantee or an Investment Guarantee increase as a result of the climate strategy? 5
 - 4.2. Are applicants given special support when applying for climate assessment? 5
 - 4.3. Does the processing time increase until an application is submitted to the IMC? 6
 - 5. The requirements refer to various regulations. What needs to be considered? 6
 - 5.1. Does the EU Taxonomy also apply to exports and investments in developing and emerging countries? 6
 - 5.2. Do only the "Substantial Contribution Criteria" of the EU Taxonomy apply or also the "Do No Significant Harm" criteria? 6
 - 5.3. What are the requirements for hydrogen? 6
 - 5.4. The Sector Guidelines mention that alignment with the German Carbon Management Strategy (CMS) is still pending. What does this mean? 7
 - 5.5. What are the requirements for Carbon Capture, Utilisation and Storage (CCUS)? 7
 - 6. Are the Sector Guidelines in line with international and European requirements? 7
 - 7. Not all criteria of the Sector Guidelines can be influenced by exporters and/or foreign customers. How can applicants deal with this challenge? 7
 - 8. How are greenhouse gas (GHG) life cycle emissions determined? 8
- II - Questions on the "Climate-friendly Energy" Sector Guideline 9**
 - 9. Will there be concrete targets for the portfolio share of renewable energies? 9
 - 10. How is it considered that renewable energies such as hydropower and bioenergy can have negative environmental and climate impacts? 9
 - 11. How is nuclear energy treated in the Sector Guidelines? 9
 - 12. In which category are electricity grids, district heating and energy storage to be classified that do not meet the requirements of the EU Taxonomy? 9
- III - Questions on the "Fossil Energy" Sector Guideline 9**
 - 13. How was the level of ambition for the Fossil Energy Sector Guidelines derived and why does this partly deviate from the IEA NZE? 9

14. Individual terms can be defined differently. Which definitions apply in the context of the Sector Guideline?	10
14.1. What does "planned development" of upstream projects mean?	10
14.2. How is H ₂ -Readiness defined in the context of the Sector Guidelines? How is H ₂ -Readiness to be distinguished from H ₂ -Capable?	10
14.3. Are gas turbines or gas-fired power plants also eligible for funding independently of the H ₂ -Readiness criterion if a concrete reduction in emissions is demonstrated by a "coal to gas shift"?	10
14.4. Which limit values apply to new power plants or significant power plant expansions until 2025 and under which conditions will the limit value for GHG emissions to be developed until 2025 be applied?	10
14.5. What do "significant capacity expansion" and "significant lifetime extension" mean?	11
15. There is sometimes a fine line between red, white and green. How are these projects classified?	11
15.1. How are projects or transactions for decommissioning or converting fossil energy infrastructure and for closing methane leaks classified?	11
15.2. Are coal-fired power plants eligible for cover in connection with CCUS?	11
15.3. How should gas networks be classified for the transport of low-emission gases?	11
15.4. How is the extraction of natural gas for the production of hydrogen classified?	11
16. How will transparency be created on methodology and testing related to lock-in effects, security of supply, 1.5-degree compatibility and evidence-based judgements?	11
IV - Questions on the "Chemistry" Sector Guideline	13
17. Are petrochemical projects and refineries to be classified under the "Chemicals" Sector Guideline?	13
18. Which chemicals are subsumed under "Other Chemicals"?	13
19. In the Sector Guidelines for chemicals, the use of fossil raw materials and energy is excluded from 2030 onwards - subject to proof of the economic viability of sustainable production processes. What does this mean?	13
V - Questions on the "Metal" Sector Guideline	13
20. Which new installations for iron and steel production can qualify for cover?	13
21. Is the white category stricter than the green category with regard to the Hot Metal Benchmark?	13
22. Are coking plants and coal processing plants at iron and steel plants assigned to the Sector Guideline "Metal" or to the Sector Guideline "Fossil Energy"?	14
VI - Questions on the "Civil Aviation" Sector Guideline	15
23. When does the "Civil Aviation" Sector Guideline enter into force?	15
VII - Questions on the "Civil Shipping" Sector Guideline	15
24. Why was the EEDI value selected as a criterion for assessment?	15
25. What provisions apply to ships with a gross tonnage (GT) below the established GT application threshold of 2,000?	15
26. For what purpose is the reporting of the AER value required?	15
VIII - Questions on the "Passenger and Commercial Vehicles" Sector Guideline	16
27. Will there be a sector guideline for cars in ECG?	16
28. Is the battery industry included in the DIA Sector Guideline for "Passenger Cars"?	16

I – General issues

1. When do the Sector Guidelines enter into force?

The Climate Strategies of Export Credit Guarantees (ECG) and the Investment Guarantees (DIA), including their sector guidelines will enter into force on November 1st 2023. The new requirements will apply to all transactions and investments that are not committed in principle as of 1st November 2023 (for ECG) or on which the Interministerial Committee has not yet decided (for DIA). This also includes applications that were submitted before the deadline but have not received a commitment in principle/decision by the Interministerial Committee by the deadline.

2. How were the Sector Guidelines developed; when and how will they be reviewed?

2.1. On what basis were the Sector Guidelines developed?

The development of the Sector Guidelines is largely based on scientific findings. The "Net Zero by 2050" scenario (NZE) of the International Energy Agency (IEA) serves as the basis for the schedule and content of the Sector Guidelines. Furthermore, other recognised technical reference standards (e.g. EU Taxonomy) were used to substantiate the Sector Guidelines.

2.2. What are the arguments for using the IEA NZE scenario as basis for the Sector Guidelines?

The IEA NZE scenario possesses several decisive factors that were necessary for the development of the Sector Guidelines, as they require a strong regional and sectoral level of detail, necessary resilience and realism as well as a high level of ambition.

The NZE scenario models the achievement of climate neutrality by 2050 and is designed in such a way that global warming is limited to 1.5 degrees (50% probability), excluding an "overshoot" (i.e. temporary temperature increase of more than 1.5 degrees in the meantime) and without relying on the extensive use of artificial carbon sinks (e.g. direct air capture). In addition, the scenario relies on a bottom-up approach to develop sectoral decarbonisation pathways, building on sector-specific studies on economically technically feasible mitigation options. The NZE scenario was also subject to a peer review (i.e. by representatives of the scientific and business community as well as non-governmental organisations).

In contrast to the Integrated Assessment Models (IAM) of the Intergovernmental Panel on Climate Change (IPCC), the IEA scenario implies a higher level of detail regarding the decarbonisation pathways of individual sectors and regions. For this reason, the IEA scenario is commonly used by actors of the real and financial economy for the development of their climate strategies. The NZE scenario has also been recommended by Greenpeace UK as a basis for developing climate strategies for financial institutions and is in line with ambitious climate initiatives such as the Glasgow Financial Alliance for Net Zero and the Net Zero Standard of the Science Based Targets initiative.

2.3. How were the sectors selected?

The Sector Guidelines were developed for all key sectors of Export Credit Guarantees (ECG) and Investment Guarantees (DIA). Key sectors were assessed as those sectors that are associated with particularly high greenhouse gas emissions and which, measured by the respective cover volume, are of particular importance within the respective guarantee instrument. In addition, the IEA NZE scenario and other studies provide sufficient basis for the definition of science-based criteria for these sectors.

2.4. When and how will the Sector Guidelines be reviewed?

In order to consider updates to the underlying standards and scientific scenarios and at the same time ensure planning security for the export industry, the Sector Guidelines will be reviewed for the first time in 2025 and thereafter every three years. Stakeholders will be informed about changes in due course.

3. What is the scope of the Sector Guidelines and how are they categorised?

3.1. Do the Sector Guidelines also apply to Untied Financial Credits (UFK)?

No, the published Sector Guidelines apply to Export Credit Guarantees (ECG) and Investment Guarantees (DIA) only. However, the German government will align all guarantee instruments of foreign trade promotion with a 1.5-degree pathway. In addition to the introduction of the Climate-UFK, criteria and requirements will be developed in the medium term that aim to align UFK guarantees with the 1.5-degree goal specifically.

3.2. What happens to transactions for which no sector guideline applies?

The following applies to ECG only: All transactions in the area of individual cover that do not fall under the Sector Guidelines but have a credit period of at least 2 years and a contract value of at least EUR 15 million, are analysed in the context of the Environmental, Social and Human Rights (ESHR) assessment on the basis of so-called “best-in-class”-benchmarks (Substantial Contribution Criteria for Climate Change Mitigation of the EU Taxonomy in accordance with Annex I of the Delegated Act on Climate Change Mitigation). Based on the results, these transactions are also classified into one of the three climate categories (green, white, red).

Sectors	Starting 1 st November 2023
Key sector	Climate categorisation according to the Sector Guidelines independent of contract value and payment terms
Any other sectors	Climate categorisation within the scope of the ESHR assessment contract value ≥ € 15 million and payment terms ≥ 24 months
	No assessment contract value < € 15 million and/or payment terms < 24 months

The following applies to DIA only: All projects are analysed in the context of the Environmental, Social and Human Rights (ESHR) assessment on the basis of so-called “best-in-class”-benchmarks (Substantial Contribution Criteria for Climate Change Mitigation of the EU Taxonomy in accordance with Annex I of the Delegated Act on Climate Change Mitigation). Based on the results, these projects are also classified into one of the three climate categories (green, white, red).

The assessment of climate impacts is carried out for all projects that are not covered by a sector guideline in the course of processing the application – regardless of whether it is a new application or a term extension.

3.3. What is the reference point for categorising retrofits in Export Credit Guarantees?

The climate category of a retrofit is determined by the requirements of the respective climate category the retrofitted project will fulfil. For example, if the retrofit results in a project changing from the white to the green category, the green category is relevant. The same would apply to a retrofit that would move from the red category into the white category.

Note: This FAQ refers exclusively to retrofits in the context of exports covered by ECG. There are no retrofits for the DIA Sector Guidelines, as DIA differentiates between new and existing projects.

3.4. What is the reference point for the categorisation into new and existing projects for Investment Guarantees?

In contrast to the Sector Guidelines for ECG, the criteria in the Sector Guidelines for DIA do not refer to a new construction and retrofitting but distinguish between new projects and existing projects. An existing project is defined as a project that – at the time when the Interministerial Committee (IMC) decides regarding this project - is already commissioned. If investors apply for a newly established project only after it has been commissioned, the applicant will have to demonstrate in each individual case that this was not intended to circumvent more demanding criteria.

4. Does the Climate Strategy of the guarantee instruments lead to higher costs for applications and assessments?

4.1. Will the workload in the application process for an Export Credit Guarantee or an Investment Guarantee increase as a result of the climate strategy?

The development of the Climate Strategy and the Sector Guidelines was guided by the principle of integrating additional climate policy requirements into existing procedures in the best possible way. Therefore, an approach was chosen that fits into the existing Environmental, Social and Human Rights (ESHR) assessment process and that uses the standards (e.g. those of the World Bank Group), tools (e.g. ESHR questionnaires) and processes already known to the applicants from this process.

Reference standards in the Sector Guidelines are relevant, transparent and recognised beyond Export Credit Guarantees (ECG) and Investment Guarantees (DIA).

With the Climate Strategy and the Sector Guidelines, the Federal Government adds an additional requirement to the application procedure for an Export Credit Guarantee or Investment Guarantee. This entails additional work for the applicant and the assessment of the application. However, the effort and complexity of the new climate policy requirements differs from sector to sector.

Not every sector guideline requires extensive additional information for review. For transactions for which there are no sector guidelines and which fall within the scope of the ESHR assessment, the climate categorisation is carried out within the scope of the ESHR assessment on the basis of the World Bank standards and the EU Taxonomy. The only new feature for these transactions is a comparison with the requirements of the EU Taxonomy.

For transactions in sectors for which there are no guidelines and which do not fall within the scope of the ESHR assessment (contract value < EUR 15 million or short-term payment terms), no climate assessment is required. For DIA, the ESHR assessment including the climate assessment will continue to take place for all projects.

4.2. Are applicants given special support when applying for climate assessment?

To ensure a smooth introduction, various information and advisory services are provided, such as this FAQ as well as further information on the websites of the guarantee instruments: www.exportkreditgarantien.de and www.investitionsgarantien.de.

Furthermore, the interactive tool "Climate Check" is available for ECG applicants. This tool can retrieve the applicable requirements for cover on the basis of limited information. Click [here](#) to access the tool. A comparable pre-categorisation is also carried out for the DIA applications on request: to the climate page on the DIA website.

4.3. Does the processing time increase until an application is submitted to the IMC?

The Climate Strategy and the Sector Guidelines further develop the application procedure for an ECG or an DIA. This entails additional work for the applicant and the application assessment. However, the effort and complexity of the new climate policy requirements differ from sector to sector. The criteria of the climate assessment are taken into account parallelly with other aspects to be assessed in the course of the application. The processing time for an application depends on the project and can be influenced by various aspects. It is therefore not to be expected that the climate assessment will result in additional work. This is in line with the experience from the pilot phases of the climate assessment in both instruments, in which no submission to the IMC was delayed.

5. The requirements refer to various regulations. What needs to be considered?

5.1. Does the EU Taxonomy also apply to exports and investments in developing and emerging countries?

The requirements set out in the Sector Guidelines apply to all exports and investments - regardless of the destination country. The fulfilment of the requirements of the EU Taxonomy serves to classify a project for the green climate category and thus opens up access to improved cover conditions. A classification in the white category also provides access to cover, but only for promotion to the previous extent.

Since the Climate Strategy is also to accompany and promote the transformation in the industrial and transport sectors, a clear definition of climate-friendly technologies is needed. So far, the EU Taxonomy the most comprehensive standard available for this purpose. Moreover, the EU Taxonomy allows an assessment of climate-friendliness at the level of an individual project. This focus is in line with the established Environmental, Social and Human Rights (ESHR) procedures of Export Credit Guarantees (ECG) and Investment Guarantees (DIA).

In the sectors for which the EU Taxonomy (according to Annex I of the Delegated Regulation (EU) 2021/2139 of the EU Commission of 04.06.2021) does not provide corresponding criteria (e.g. civil aviation), other internationally recognised standards are used as a guidance for assessing the extent of climate-friendliness of the transactions or projects to climate protection.

5.2. Do only the "Substantial Contribution Criteria" of the EU Taxonomy apply or also the "Do No Significant Harm" criteria?

To classify a project or transaction as particularly climate-friendly, the technical assessment criteria regarding a "Substantial Contribution to Climate Change Mitigation" according to Annex I of the Delegated Regulation (EU) 2021/2139 of the EU Commission of 04.06.2021 are applied.

The criteria regarding the avoidance of significant harm to other environmental objectives ("Do No Significant Harm" criteria, DNSH) addresses aspects that are already adequately considered in by the ESHR assessment. Therefore, the DNSH criteria are not relevant in the context of the climate assessment.

5.3. What are the requirements for hydrogen?

All requirements and definitions in the Sector Guidelines regarding hydrogen are consistent with the German government's National Hydrogen Strategy (NHS) and its update of July 2023.

According to the NHS, projects that fall under the Sector Guidelines "Industry" and "Transport" - i.e. projects that only relate to the use of hydrogen and not to its production – can also make use of low-carbon blue, turquoise and orange hydrogen in addition to green hydrogen, insofar as this is necessary in the market ramp-up phase, without affecting the climate assessment negatively.

According to NHS hydrogen must meet an ambitious threshold with regard to its CO₂ intensity (25 grams CO₂ eq./MJ H₂, analogous to EU Taxonomy), considering the entire life cycle (LCA approach), which represents a significant saving compared to the comparative value for fossil fuels. Updates to the NHS will be considered in future reviews of the Sector Guidelines accordingly.

5.4. The Sector Guidelines mention that alignment with the German Carbon Management Strategy (CMS) is still pending. What does this mean?

As part of the evaluation of the German Carbon Dioxide Storage Act (KSpG) of 2022, climate neutrality studies were evaluated according to the necessity of using Carbon Capture, Utilisation and Storage (CCUS) technologies. In this context, the German government has decided to develop a carbon management strategy. In particular, it is important to define conceivable fields of application for these technologies in more detail and to work out the economic and regulatory framework conditions for a possible ramp-up of CCUS in Germany. Once the CMS has been adopted, the Sector Guidelines will be adjusted accordingly.

5.5. What are the requirements for Carbon Capture, Utilisation and Storage (CCUS)?

Until the CMS is adopted, the [requirements of the EU Taxonomy](#) (Climate Mitigation, Substantial Contribution Criteria) apply to CCUS. In addition, CCUS retrofits must have a capture rate of at least 85% (analogous to the OECD/CCSU¹). The capture rate mentioned here is different from the general emission reduction criteria for an entire project.

6. Are the Sector Guidelines in line with international and European requirements?

In terms of economic and climate policy, the German government is acting jointly and in accordance with its international partners, who are also taking steps towards decarbonising industry / transforming the economy and shaping the framework for these processes. This applies to export promotion in particular within the framework of the Export Finance for Future (E3F) initiative, within which the German government is working towards a joint and coordinated implementation of the Glasgow Statement (COP 26 Statement) to end financial public support for projects in the international fossil energy sector. At the level of the OECD, the German government is working to ensure that its Climate Strategy and the Sector Guidelines are in line with the OECD Consensus, which is currently being reformed, particularly with regard to the revised and expanded Climate Change Sector Understanding (CCSU) for the promotion of climate-friendly projects. The German government also sees a convergence with the Net Zero strategies of public and private banks and companies, often derived from the same scientific scenarios. As part of the Climate Strategy, the German government is working with its partners to ensure an maintaining international level playing field through consistent implementation of joint commitments.

7. Not all criteria of the Sector Guidelines can be influenced by exporters and/or foreign customers. How can applicants deal with this challenge?

In order to meet the challenges of climate change, it is becoming increasingly important to address aspects that are only indirectly influenced by one's own activities. For example, within the scope of the ESHR assessment it is also expected from applicants to influence associated facilities to the extent possible so that the requirements of the IFC Performance Standards are met adequately.

Moreover, if the Sector Guidelines refer to factors that lie in the responsibility of third parties, this predominantly concerns criteria that are intended to be a requirement for coverage from 2030 onwards. By 2030, the climate policy framework conditions in the target countries should have

¹ "The capture rate has to be at least 85% of CO₂ emitted by the equipment included in the application for officially supported export credits. The 85% is to apply at normal operating conditions."

developed further. The planned reviews of the Sector Guidelines can be used to react to any developments.

8. How are greenhouse gas (GHG) life cycle emissions determined?

For the determination of GHG life cycle emissions, recognised tools and standards referenced in the EU Taxonomy shall be used. In particular, the ISO 14067:2018(143) and ISO 14064-1:2018(144) standards as well as [Recommendation 2013/179/EU](#) (EU-COM Recommendation on the use of common methodologies for measuring and disclosing the environmental performance of products and organisations) should be mentioned as a basis for this.

II - Questions on the "Climate-friendly Energy" Sector Guideline

9. Will there be concrete targets for the portfolio share of renewable energies?

With the goal of bringing the respective portfolios of Export Credit Guarantees (ECG) and Investment Guarantees (DIA) to Net Zero by 2045/2050, the Climate Strategy contains an overall portfolio target. Achieving this target also requires a steady increase in the share of renewable energy in the energy portfolio of the guarantee instruments. A concrete target regarding a certain share of renewable energy projects is not envisaged and not possible, as the foreign trade promotion instruments are demand-driven.

10. How is it considered that renewable energies such as hydropower and bioenergy can have negative environmental and climate impacts?

According to the Sector Guideline "Climate-friendly energy", these forms of energy are to be assigned to the green category only if the projects applied for cover meet the referenced requirements of the EU Taxonomy. In addition, the guidelines of the World Bank Group are taken into account as minimum standards within the established Environmental, Social and Human Rights (ESHR) assessment. The guidelines address significant nature conservation and social risks occurring from these forms of energy.

In the spirit of continuous improvement, the first review of the Sector Guidelines will also examine, the extent to which there is a need to adapt the standards applied so far based on the experience with climate-friendly energy projects.

11. How is nuclear energy treated in the Sector Guidelines?

Since 2014, nuclear power generation facilities are no longer accepted for cover by ECG. Therefore, nuclear energy is not considered in the Sector Guidelines. For DIA, the nuclear energy sector has not been relevant so far and will play no crucial role in the future.

12. In which category are electricity grids, district heating and energy storage to be classified that do not meet the requirements of the EU Taxonomy?

Electricity grids, district heating and energy storage that meet the referenced requirements of the EU Taxonomy are to be assigned to the green category. Projects that do not meet these requirements are to be assigned to the white category and therefore remain eligible for cover.

III - Questions on the "Fossil Energy" Sector Guideline

13. How was the level of ambition for the Fossil Energy Sector Guidelines derived and why does this partly deviate from the IEA NZE?

From the introduction of the Sector Guidelines onwards, projects and transactions will only be eligible for cover if they are in line with the 1.5-degree pathway. This means that the cover policy will at least comply with the ambition level of the IEA NZE scenario.

The exemptions provided for in the Sector Guidelines are in line with the NZE scenario and the commitments of the German government as a signatory of the Glasgow Statement. The compliance with the 1.5-degree pathway requires the phase-out of fossil fuels. However, many technologies that enable the replacement of fossil fuels have yet to reach market maturity. In addition to the climate targets, other key requirements for the energy system must be ensured, e.g. diversification of energy imports serves to strengthen security of supply. In order to achieve the Paris climate goals scenarios such as those of the IPCC aim for (global) climate neutrality by 2050 (+/-5 years). For industrialised countries such as Germany, it is the goal to achieve greenhouse gas neutrality by 2045. Until then,

decreasing investments in projects that use fossil energy sources as raw materials for energy production or as fuel are required. However, new investments might also be required. Consequently, for a limited period of time and given that they are in line with a 1.5-degree pathway Export Credit Guarantees and Investment Guarantees might still be provided for projects in the fossil energy sector.

14. Individual terms can be defined differently. Which definitions apply in the context of the Sector Guideline?

14.1. What does "planned development" of upstream projects mean?

The wording "... fields already developed or planned in 2021..." ensures that the Sector Guideline "Fossil Energy Sources" (natural gas) is in line with the IEA NZE scenario. Specifically, this results from the wording in the NZE scenario (e.g. p. 99: "[...] no new oil and natural gas fields are required beyond those that have already been approved for development."). Therefore, an abstract intention to develop is not sufficient, but it must be possible to prove for the specific project that a permit or comparable approval already existed in 2021.

14.2. How is H₂-Readiness defined in the context of the Sector Guidelines? How is H₂-Readiness to be distinguished from H₂-Capable?

H₂-Capable is the term used for plants that can fully or partially be operated with hydrogen without further conversion. The term H₂-Readiness and the associated effort of conversion are based on the [definition of EU-Turbines](#) - the European association of gas and steam turbine manufacturers. The effort required to convert a gas-fired power plant to operate with the minimum proportions of hydrogen mentioned in respective sector guidelines is classified as low if the costs for this conversion are not disproportionate. EU-Turbines assumes an indicative value of no more than 20% of the cost of constructing a new power plant. However, the concrete assessment can only be made on a case-by-case basis. This consideration aims to accompany the ramp-up of H₂-fueled power plants in foreign markets with German technology.

14.3. Are gas turbines or gas-fired power plants also eligible for funding independently of the H₂-Readiness criterion if a concrete reduction in emissions is demonstrated by a "coal to gas shift"?

No, a pure "coal to gas shift" is not sufficient because of possible lock-in effects. However, in individual cases, the export of gas turbines with unchanged cover conditions may be eligible for a transitional period if

1. the German contribution is demonstrably 50%-H₂ ready, **AND**
2. the German supplier has evidence certifying the 1.5-degree compatibility of its portfolio incl. Scope 3 emissions, e.g. via the Science Based Targets initiative **AND**
3. the exports take place in the context of power plant projects that demonstrably make a significant, short-term contribution to emission reductions in the destination country and are in line with the country's documented 1.5-degree compatible decarbonisation pathway, i.e. possible lock-in effects are avoided. For example, this assessment can be carried out following the Paris Alignment Methodology of the EBRD.

14.4. Which limit values apply to new power plants or significant power plant expansions until 2025 and under which conditions will the limit value for GHG emissions to be developed until 2025 be applied?

By 2025, a threshold for the expected GHG emissions will be developed based on the EU Taxonomy. For the transition phase until 2025, the fulfilment of the requirements for H₂-Readiness (see above) is sufficient for the granting of unchanged cover conditions.

From 2025 onwards, the then defined limit value must be considered. In order to take into account the availability of green or low-carbon hydrogen, compliance with the threshold becomes a binding

condition as soon as sufficient green hydrogen is available in the respective market. The assessment of sufficient availability of green hydrogen in a respective market is based on the Bundesnetzagentur scenarios for the H₂ market ramp-up in Germany. The availability will be checked in the course of the periodic reviews.

14.5. What do "significant capacity expansion" and "significant lifetime extension" mean?

The materiality of capacity expansions and lifetime extensions must be determined in the specific project context. Some aspects that can also be included in the assessment contain the extent to which the lifetime and capacity extensions contradict the decarbonisation pathway of the respective destination country, jeopardise the 1.5-degree pathway or result in lock-in effects.

15. There is sometimes a fine line between red, white and green. How are these projects classified?

15.1. How are projects or transactions for decommissioning or converting fossil energy infrastructure and for closing methane leaks classified?

Provided that the conversion of fossil energy infrastructure leads to the project meeting the criteria stated under the Sector Guideline "Climate-friendly Energy", the project/transaction would be assessed by this guideline. Therefore, the conversion could be allocated to the green category. For decommissioning-projects, there is less experience so far to attribute a substantial contribution to climate protection of such projects in general. In the course of the first review, it will be examined whether decommissioning-projects can be allocated to the green climate category.

The reduction of methane emissions is also considered to play a significant role in meeting the 1.5-degree goal according to the IEA NZE scenario. Therefore, projects that serve to close methane leakages remain eligible for coverage in the white category, even if they are related to fossil energy.

15.2. Are coal-fired power plants eligible for cover in connection with CCUS?

Since 2020 coal-fired power plants are no longer eligible for cover.

15.3. How should gas networks be classified for the transport of low-emission gases?

The Sector Guideline "Climate-friendly Energy" provides that infrastructure that is built or retrofitted for the use of renewable or low-emission gases can be classified in the green climate category.

New gas infrastructure that would only be ready for conversion but is initially and in the future used for natural gas and does not fulfil the exceptions listed in fossil energy guideline sub-item "Exploration/Production/Processing" is no longer eligible for cover.

15.4. How is the extraction of natural gas for the production of hydrogen classified?

In accordance with the German government's National Hydrogen Strategy, only the production of green hydrogen can receive direct financial support (especially through subsidies). For international projects, this will be clarified within the framework of the still outstanding Hydrogen Import Strategy.

16. How will transparency be created on methodology and testing related to lock-in effects, security of supply, 1.5-degree compatibility and evidence-based judgements?

The review methodology is developed and refined on the basis of individual cases in order to reflect respective project realities. During the review process, transparency can only be provided for current applications to the extent that company and transaction specific non-disclosure criteria are met and no negative effects occur on bilateral relations with the partner countries in which the projects take place. For this reason, transparency can only be created in an abstract manner as soon as empirical results from several application procedures are available. In order to meet the need for comprehensibility of the decisions of various stakeholders, the German government will seek ways to report and advise on the experiences and concrete implementation of the review methodology in a continuous dialogue with stakeholders.

IV - Questions on the "Chemistry" Sector Guideline

17. Are petrochemical projects and refineries to be classified under the "Chemicals" Sector Guideline?

Petrochemical projects and refineries are assigned on a case-by-case basis and based on their project-specific design either to the Sector Guideline for chemicals or assessed in the ESHR review with regard to their climate policy eligibility.

18. Which chemicals are subsumed under "Other Chemicals"?

The Sector Guideline "Other Chemicals" serves as a framework for processes in the chemical industry that cannot be assigned to the specialised chemical Sector Guidelines. In this Sector Guideline a qualification for the green category is possible if corresponding emission benchmarks are listed in the EU Taxonomy and fulfilled. This is congruent with the approach of the Climate Strategy that only projects that make a special contribution to decarbonisation can qualify for the green category.

19. In the Sector Guidelines for chemicals, the use of fossil raw materials and energy is excluded from 2030 onwards - subject to proof of the economic viability of sustainable production processes. What does this mean?

Currently, many sustainable production processes for chemical substances are still in the early stages of development and are not market-ready yet. In this case, market maturity refers to both the technological maturity as well as the economic feasibility of respective decarbonisation measures (e.g. availability and cost of renewable energy sources or raw materials). By 2030, the Sector Guidelines will have gone through two review cycles. In these reviews, the market readiness of known processes will be assessed again. Regarding this purpose, relevant scientific findings will be consulted, such as the [IEA's ETP Clean Energy Technology Guide](#), as well as the experience reports of chemical plant manufacturers.

V - Questions on the "Metal" Sector Guideline

20. Which new installations for iron and steel production can qualify for cover?

All installations or processes that meet the relevant requirements of the EU Taxonomy and are not exempt from cover under the red category (traditional BF-BOF blast furnace route and coking plants) can qualify for the green category. The white category includes all plants or processes (irrespective of technology) that comply with the requirements described there and that do not fall into the red category. This includes particularly, processes with direct reduction (DRI) and electricity-based processes. Some examples are DRI-EAF plants, DRI smelter BOF/EAF plants or iron ore electrolysis EAF plants. From 2030 onwards, processes that rely on fossil gases must be converted to use sustainable hydrogen.

21. Is the white category stricter than the green category with regard to the Hot Metal Benchmark?

In the EU Taxonomy, the Hot Metal Benchmark refers to plants using the traditional blast furnace route (BF-BOF). For other processes / technologies the benchmark is not applicable. In the white category, the Hot Metal Benchmark is introduced as a reference for all processes / technologies. It is intended that through this all technologies are covered, for which no separate standard has been defined in the EU Taxonomy explicitly (e.g. direct reduction processes). In order to recognise the fact that the Hot Metal Benchmark was originally designed as a reference for the particularly emission-intensive blast furnace route – and thus a mere undercutting by other low-emission technologies does not correspond to the ambition level of the Climate Strategy – the white category demands an undercutting of at least 40%.

22. Are coking plants and coal processing plants at iron and steel plants assigned to the Sector Guideline "Metal" or to the Sector Guideline "Fossil Energy"?

Insofar as the coking plants or coal processing plants are physically and technically connected to the iron / steel plant and are essential for its operation, they fall under the Sector Guideline "Metal".

VI - Questions on the "Civil Aviation" Sector Guideline

23. When does the "Civil Aviation" Sector Guideline enter into force?

Euler Hermes is in close contact with its partner-ECAs UKEF and BPI France, which are relevant for Airbus transactions, in order to establish common criteria for the climate assessment of Airbus transactions. The issue is also being considered at OECD level in the discussions for an international level playing field via the Aviation Sector Understanding (ASU).

The Sector Guideline "Civil Aviation" enters into force with the Climate Strategy and will be applied as soon as the coordination with the two partner-ECAs has been completed. The affected policyholders will be informed in time.

VII - Questions on the "Civil Shipping" Sector Guideline

24. Why was the EEDI value selected as a criterion for assessment?

The EEDI (Energy Efficiency Design Index) is an index designed by the International Maritime Organization (IMO) that represents a minimum standard for assessing the efficiency of ships. Moreover, the EEDI was selected as an assessment criterion because it relates to the design or technical construction parameters of a ship. Therefore, it can be checked at the time of coverage through an Export Credit Guarantee. Since retrofitted ships must also comply with the EEDI IMO reference values, it is useful to refer to the EEDI with regard to retrofitting.

25. What provisions apply to ships with a gross tonnage (GT) below the established GT application threshold of 2,000?

For ships that do not fall within the scope of the Sector Guideline as defined by the GT, climate categorisation is carried out as part of the ESHR assessment. Small ships can thus also qualify for the green climate category.

26. For what purpose is the reporting of the AER value required?

The Annual Efficiency Ratio (AER) value shows how emission-intensive a ship operates each year. It is an important source of data for the review cycles of the Sector Guidelines and to track the market ramp-up of sustainable fuels in the shipping sector.

VIII - Questions on the "Passenger and Commercial Vehicles" Sector Guideline

27. Will there be a sector guideline for cars in ECG?

For both instruments, sector guidelines were only developed for sectors which, in addition to their outstanding importance for decarbonisation, also have a high relevance within the respective portfolios of ECG or DIA. Regarding passenger cars and light commercial vehicles, this applies in the area of DIA, but not in the area of ECG, since applications for cover for deliveries and services in connection with the production of passenger cars and light commercial vehicles are made rarely. However, for transactions in this area, there is also the possibility of not obtaining cover or qualifying for the green category if minimum benchmarks are not met, via climate assessment in the context of the ESHR review. A classification for the green category could be accomplished via compliance with the respective Substantial Contribution Criteria for Climate Change Mitigation of the EU Taxonomy. Qualification for the green climate category would thus be possible, especially for supplies and services for electric vehicle manufacturing projects.

28. Is the battery industry included in the DIA Sector Guideline for "Passenger Cars"?

The Sector Guidelines were developed within both instruments for sectors that, in addition to their outstanding importance for the decarbonisation of the economy, also have a high relevance within the respective portfolios of ECG or DIA. Although the battery industry is essential for the transformation of the transport sector, only a very small share of the covered transactions/projects is attributable to this industry. Accordingly, no separate sector guideline was developed for this sector and the battery industry was not integrated into the Sector Guideline "Passenger Cars". Nevertheless, transactions/projects for battery production can benefit from improved coverage conditions in connection with climate categorisation in the context of the ESHR assessment, as battery production makes a significant contribution to climate protection according to the Substantial Contribution Criteria for Climate Change Mitigation of the EU Taxonomy.

If you have any further questions that are not addressed in the FAQ, please do not hesitate to contact the appropriate person.

For questions on the climate strategy and the SLL for Export Credit Guarantees, please contact the Climate Team at Euler Hermes:
klima@exportkreditgarantien.de

For questions related to Investment Guarantees, please contact PwC:
investitions Garantien@pwc.de