

PtX Development Fund by KfW and KGAL makes first award to Egyptian hydrogen project

Grünwald/Munich, 08/10/2024 – The PtX Development Fund¹ for the promotion of hydrogen projects in developing and emerging economies has approved its first grant: Egypt Green Hydrogen (EGH) will receive €30 million for a hydrogen project in the Suez Canal Economic Zone (SCZone), the largest industrial cluster in Egypt. Prior to this, KGAL Investment Management GmbH & Co KG, the fund manager mandated by KfW, had intensively reviewed a total of 98 applications from seven countries. The contract was officially signed on 8 October at the Hamburg Sustainability Conference in the presence of Svenja Schulze, German Federal Minister for Economic Cooperation and Development (BMZ), and Rania Al-Mashat, Egypt's Minister of Planning, Economic Development and International Cooperation. The second round of applications is expected to start in winter 2024/25.

The PtX Development Fund,¹ initiated by the BMZ and endowed with €270 million, is part of KfW's PtX Platform for promoting hydrogen projects in the global South. The first funded project, Egypt Green Hydrogen (EGH), exemplifies the objectives of the PtX Development Fund. “The production of green hydrogen and its derivatives offers enormous potential for the development and transformation of local economies, especially in emerging and developing countries. Green hydrogen also serves a variety of strategic and economic interests for us in Germany and Europe, helping us achieve our climate targets and the global energy transition. At the same time, we are strengthening our domestic industries by opening up new markets for our export economy,” says Christiane Laibach, member of the KfW Executive Board. “KfW offers customised financing solutions through the PtX Development Fund and PtX Platform. By supporting EGH, we are promoting the transformation of industry in Egypt. This is an excellent example of how private capital can be used for the international ramp-up of green hydrogen markets.”

At least three million tonnes of CO₂ saved through green ammonia

EGH is backed by a consortium including project developer Scatec ASA and Orascom Construction. The EGH project utilises wind and solar power from newly built plants to produce green hydrogen, which is then transformed into green ammonia for use in fertiliser production. EGH has access to an existing ammonia production facility at an extremely well-connected site in the Suez Canal Economic Zone (SCZone).

¹ Power-to-X D&G GmbH registered in Frankfurt am Main.

EGH aims to produce up to 70,000 tonnes of green ammonia per year as of 2028, laying the foundation for the sustainable transformation of the entire industry in Egypt, and saving over three million tonnes of CO₂ over the life cycle of the project. EGH has concluded a 20-year purchase agreement for green ammonia with fertiliser manufacturer Fertiglöbe.

The sustainable transformation of Egyptian industry

“The Egyptian hydrogen project impresses with a well-thought-out concept and a high level of maturity. EGH has planned with foresight and all the risks – from development to offtake – have been effectively minimised,” explains Thomas Engelmann, Managing Director of the PtX Development Fund and Head of Energy Transition at KGAL. “The EGH team, with its important shareholder Scatec, also made a convincing case for the project’s social and ecological transformation.”

The EGH project will form the foundation of a planned green hydrogen cluster in the SCZone. Thanks to its “brownfield character” (sustainable transformation of existing infrastructure), the project will make a particularly efficient contribution to the transformation of Egypt’s largest industrial cluster. With the entire value chain located inside the country, around 1,300 new high-quality jobs will be created. At the same time, Egypt is tapping into the potential for deeper economic integration with the eurozone through green growth initiatives such as the EGH, thereby supporting the sustainable development of the North African country.

PtX Development Fund to start second application round shortly

KGAL’s team of experts was impressed by the large number of submissions in the first application round. The PtX Development Fund is expected to launch the second round of funding applications in winter 2024/2025. Interested parties can already visit <https://www.ptx-fund.com> for information and submit their documents as soon as the second round begins.

Background:

The PtX Platform – many funding windows under one roof

The German government and KfW Group have pooled promotional and financing instruments on the PtX Platform. Funding is provided for projects along the entire PtX value chain: from the generation of green electricity through renewable energies to the production and transport of green hydrogen and derivatives. Derivatives include, for example, methane, methanol and ammonia, which have applications in heavy industry, aviation, shipping and in basic chemicals. The aim is to close existing financing gaps by promoting capital-intensive PtX projects that are not yet “bankable”, especially in developing and emerging economies, as straightforwardly as possible. The coordination all takes place under one roof: KfW advises, puts together financing packages and accompanies the project implementation.

At its core: the PtX Development Fund

At the heart of the platform lies the PtX Development Fund of the Federal Ministry for Economic Cooperation and Development (BMZ). The aim of the PtX Development is to support the establishment of local value chains and the use of hydrogen and its derivatives in developing countries and economies, paving the way for a more sustainable future. Thus, the fund contributes to the social, environmental and economic transformation of these countries as part of a “Just Transition”.

The fund manager: independent and experienced

Following a Europe-wide call for tenders, KfW has entrusted KGAL with the management of the PtX Development Fund. KGAL is an independent investment and asset manager with around €16 billion of investment volume under management. It focuses on long-term real capital investments for institutional and private investors in real estate, sustainable infrastructure and aviation. The KGAL group, which operates throughout Europe, was founded 56 years ago and is based in Grünwald near Munich. KGAL has been involved in renewable energies since 2003, making it one of the pioneers in this field. Its 363 employees contribute to achieving stable and sustainable returns, taking into account return and risk aspects (as of 31 December 2023).

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