

KfW IPEX-Bank

Steering the Future of Mobility

An Interview with Sebastian Blum, Global Head of Mobility at KfW IPEX-Bank

In an insightful conversation with Railway-News, Sebastian Blum, the newly appointed Global Head of Mobility at KfW IPEX-Bank, highlights the bank's commitment to facilitating the transition towards sustainable transport.

He sheds light on the challenges and opportunities within the rail industry, the current infrastructure landscape in Germany, and the synergies being created across various transport sectors to achieve a greener future.

Railway-News: First of all, congratulations on your new position as Global Head, Sebastian. What impact will this have on the business orientation of KfW IPEX-Bank?

KfW IPEX-Bank: Many thanks.

KfW IPEX-Bank merged 7 sector departments into 4 at the beginning of 2023 – one of them is Mobility which comprises Maritime, Cruise, Aviation as well Land-based Transportation. We see advantages to bringing all asset-based sectors under one roof and to gain respective synergies. Within our strategy, Mobility plays a key role as the department supports the transition of the transportation sector – identifying ways to reduce carbon emissions in the shipping industry, actively following the developments in the field of sustainable aviation fuels or supporting projects on the land-based side aimed at improving public transportation and increasing the modal split of rail freight.

I'm happy to lead the department as a global head and to

speed up this transition together with our clients and all my colleagues.

RN: As a specialist financier in the field of transport and infrastructure and with a focus on responsible banking, you have deep insight into the current state of affairs with regard to moving away from more polluting transport modes. What are some of the challenges here? Rail has long been hailed as one of the greenest powered forms of transport for both passengers and goods. Are there challenges specific to the rail industry that other modes of transport are not experiencing in the same way?

KfW IPEX-Bank: I agree. Rail is widely considered to be green. But obviously not all tracks are electrified – neither on main lines and even less in respect of last mile connectivity. Thus, hybrid solutions including batteries or charging stations will play a significant role in order to bridge the gap. The dependency on infrastructure is an essential element when we are looking at the rail sector.

Another aspect to mention here is regulation. The EU taxonomy tries to create a framework in order to focus on particularly eligible transactions. But when reviewing the details, you may see that the current rules are quite complex in respect of rail. My favourite example is that a fully EU taxonomy-compliant financing of a stretch of an electrified rail work track requires control over the transported goods as well.

In case this track is used e.g. for the transportation of fossil fuels, the financing would be not compliant any more. But do financiers and borrowers always have such control?

I'm confident that further discussion may lead to further improvements. Together with other banks we have prepared a working paper within our membership in the Allianz pro Schiene, describing the restrictions of the current regulation in more detail.

RN: You finance projects on an international level, but you are a German company. What is the current situation in Germany? I hear stories of underinvestment in infrastructure – rail infrastructure as well as other transport assets such as roads, bridges, tunnels and so on. Would you say there is a lack of political will or is the current geopolitical climate particularly difficult?

KfW IPEX-Bank: Well, there is a political will and I'm quite optimistic that we will see certain infrastructure improvements even in the near future. Investments in infrastructure are costly and take some time. The planned modernisation of the most important corridors will improve the reliability of the entire German network materially – but until then, we will see further delays and congestion due to the construction activities.

RN: You don't just finance rail projects of course, you're involved in financing for other land-based modes of transport as well as aviation and the maritime industry. For our readers who will be more familiar with what you do in the rail sector, could you give an overview of some of the projects you are financing in these other areas and what made them a good fit for you?

KfW IPEX-Bank: We are also financing e-buses and we are happy that we executed two transactions with international operators – Kinetic and Kelsian – this year.

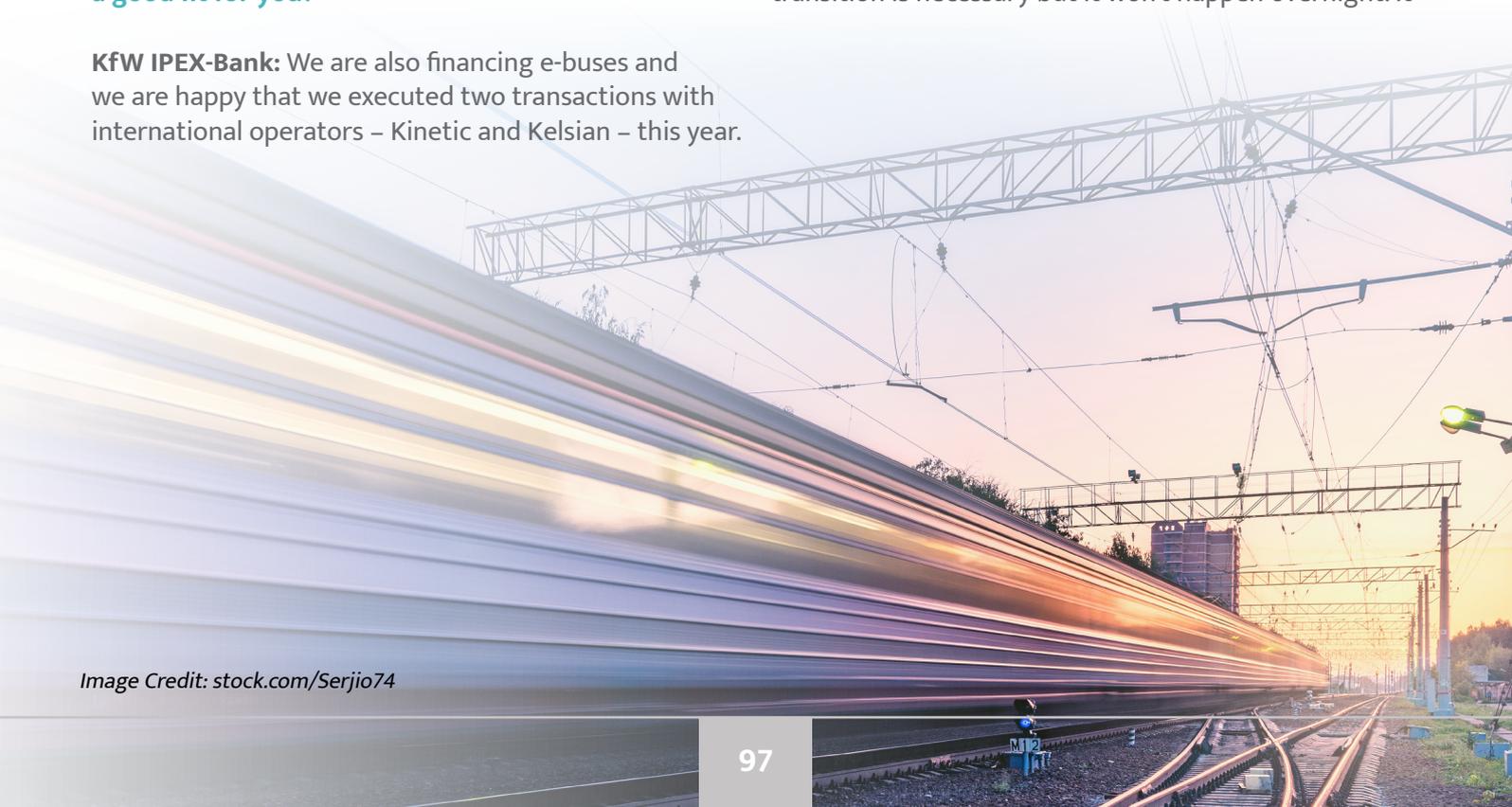
"Rail is widely considered to be green. But obviously not all tracks are electrified – neither on main lines and even less in respect of last mile connectivity. Thus, hybrid solutions including batteries or charging stations will play a significant role in order to bridge the gap."

Sebastian Blum, Global Head of Mobility at KfW IPEX-Bank

As Global Head of Mobility, I'm also responsible for aviation and maritime industries where we finance a large variety of assets such as cargo vessels, ferries, cruise ships as well as the wind offshore supply chain. We support our clients in reducing the carbon footprint of their respective fleets by financing very efficient newbuilds which are futureproof due to their flexibility on alternative fuels or by financing retrofits of their existing assets.

RN: I asked you earlier if there were any challenges in the mobility transition that were affecting the rail industry in particular, but what are the similarities you see in the different sectors you are involved in and are there underlying factors here that made you choose to be involved in specifically these sectors?

KfW IPEX-Bank: In order to align with the 1.5 degrees target of the Paris Agreement, a major transition is taking place in the whole mobility sector. This transition is necessary but it won't happen overnight. It





Sebastian Blum, Global Head of Mobility at KfW IPEX-Bank
Image credit: KfW/Alex Habermehl

requires huge investments, and the pace is also mainly dependent on the available technologies, alternative fuels and existing infrastructure. From a banking perspective, we have to access all projects that have an acceptable technology risk and with which we can demonstrate, based on our portfolio, that we support the transition. Sometimes, interim steps are also fine and important in my opinion – e.g. financing assets with modern fossil drives which replace extremely old and inefficient ones.

RN: Are there any positive developments that you see between the different sectors? For example, one major source of revenue for airports is parking, but at the same time they are trying to be carbon neutral so enabling passengers to travel to and from the airport in more sustainable ways is desirable. What are some success stories where different sectors have collaborated well?

KfW IPEX-Bank: There is a development towards more and more fully integrated logistic companies – originally being just a shipping line or a port operator, and now offering the full logistic chain for the client from door to door – which quite often sees the combination of sea and rail transport including ports and cargo-handling infrastructure. This means that new players are entering the market and opening fully integrated services which increase the possibilities for the client to opt for a sustainable mode of transport. For me, it's an interesting development and a good example of the collaboration among industries.

RN: Are there any projects you are currently involved in that you are particularly proud of that you would like to mention?

KfW IPEX-Bank: With regard to green financing, we have strengthened our capacities to offer green loans or sustainability-linked loans, including the respective advisory services. In this respect, we supported MFD Rail not only in their initial start-up phase by providing a first financing for the first intermodal railcars but provided additional advisory services which enabled the client to set up its entire green finance framework including second party opinion. It makes us really proud to enable projects that drive the transition towards a sustainable economy.

RN: Thank you so much for taking the time to talk to us today!

For more information contact

Sebastian Blum

Managing Director – Global Head of Mobility
KfW IPEX-Bank, Frankfurt am Main, Germany
(Headquarters)

sebastian.blum@kfw.de