



Overview of NER300 second Call for Proposals

**NER300 information day
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**Unit C.1, Low Carbon Technologies
DG Climate Action**

*Climate
Action*

Presentation outline

- *NER300 overview*
- *Second call: general*
- *Selection process*
- *Roles and responsibilities of the actors*

NER300 - Overview

- **NER 300:** 300 million allowances reserved in new entrants reserve (NER) of EU-ETS for the financing of commercial-scale CCS and innovative RES demonstration projects, Art. 10a(8) EU-Emission Trading Directive
- Decision 2010/670/EU of 3 November 2010 laying down criteria and measures for the financing of commercial demonstration projects that aim at the environmentally safe capture and geological storage of CO₂ as well as demonstration projects of innovative renewable energy technologies under the EU-ETS (NER300 Decision)

NER300 Overview

- *300 million allowances to be distributed through two rounds of Call for Proposals (200/ 100 million allowances)*
- *Wide range of technologies: 8 CCS and 34 RES projects*
- *Geographically balanced locations: 1 to 3 projects per Member State (MS)*
- *50% of relevant costs will be funded, per project max. 15% of the total number of allowances*
- *NER 300 not part of EU budget – can be combined with other instruments, including Structural and Cohesion Funds, EEPR*
- *Implementation at EU level (COM), but with strong role for MS, and with support from the European Investment Bank (EIB)*
- *Deadline Award Decisions : December 2015*

NER300 first call

- *Launched on 9 November 2010*
- *Award Decision adopted on 18 December 2012*
- *Awards worth € 1.2 Billion*
- *23 innovative RES projects, 16 Sub-categories*
- *Across 16 MS*
- *No awards to CCS projects*

NER300 second call

- *Commission analysis after first call:*
 - ***Only a minority of factors constraining geographical and technological balance are internal to NER300.***
 - ➔ ***The provisions in the NER300 Decision remain adequate and relevant for the second call.***
- *Request from Climate Change Committee to proceed swiftly with the second call*
 - ***Capitalise on the momentum built***
 - ***Align itself with market and political imperatives***

NER300 second call and instruments

- *Covering the equivalent of 100 million allowances and unspent funds from first call*
- *Legal basis: Article 10a(8) EU Emissions Trading Directive*
- *Decision 2010/670/EU of 3 November 2010 (no changes from 1st call)*
 - ***Eligibility criteria, selection procedure, selection process unchanged***
- *Call for proposals published 3 April 2013 (including AF/SF)*
 - ***More efficient process: incorporates lessons learnt by adjusting the call and working practices***
- *Co-operation Agreement COM – EIB*

Key process stages and timetable

Activity	Deadline
Call for Proposals published	3 April 2013
Member States submit Proposals to the EIB <i>(note: one single deadline)</i>	3 months from publication of Call for Proposals- 3 July 2013
<p>Selection assessment, notably:</p> <p>EIB Due Diligence assessment</p> <p>In parallel: eligibility verification</p>	Up to 12 months from publication of Call for Proposals, subject to the number of Project Applications
Ranking list, confirmation and Award Decision	Up to 17 months from publication of Call for Proposals, subject to the number of Project Applications

Who can apply

Project applications to be submitted by the MS where the Project will be implemented → Project Sponsors (PS) cannot apply directly

PS: A single organisation; A Special Purpose Vehicle, a Joint Venture, a consortium

All MS are eligible to submit applications as well as IS, LI, NO

Max. three projects per MS, transboundary projects excluded



NER300 Project Selection

Overview of the selection process

- *MS eligibility assessment*
- *Selection assessment :*
 - Due diligence assessment
 - Eligibility verification
- *Ranking list*
- *Confirmation process*
- *Final list*

Eligibility Criteria

- 1. Projects must fall into one of the technology Categories or Sub-categories set out in Annex I of the Decision and reproduced in Annexes 2 and 3 of the Call (4 CCS/ 34 RES).*
- 2. A Project cannot be submitted under more than one Category or Sub-category.*
- 3. Common requirements : capacity threshold, entry into operation, permits, location*
- 4. CCS Projects specific requirements (full chain implementation, heat integration maximised, 85% capture rate, independent research block)*
- 5. RES Projects must be innovative in nature. Existing, proven technologies are ineligible. The further characterisation of innovative technologies is covered in Annex 6, point II.*

Eligibility criteria

Capacity thresholds

- Capacity threshold is an aggregate figure: Projects can be modular; Distribution of modules reasonably homogeneous, and all modules connected to grid via single connection
- Modules must comply with any specific requirements (e.g. for wind)
- Derogation when a MS is not in a position to submit proposals for projects under any of the subcategories

Date of entry into operation

- 30 June 2018 based on award decision of 30 June 2014; effectively, within 4 years of award decision

Eligibility criteria

All relevant permits underway or sufficiently advanced

- Where one permit depends temporally on another (e.g. CO₂ storage permit on exploration permit) the first permit is the relevant one for eligibility
- But need in any case to demonstrate that can be operational within 4 years of an award decision, and have all permits in place within 2 years of an award decision (3 for saline aquifer CCS projects)

Installations combining technology sub-elements belonging in a technology category or sub-category

- Where sub-element individually eligible, Proposal covering only that part is acceptable
- Combining of elements from different sub-categories could lead to perverse effects and is not acceptable

Eligibility criteria

Shared infrastructure

- Only costs relevant to the individual Project should be submitted (apportionment for Projects to determine)
- If the partner Project sharing the infrastructure is not selected, no increase in costs possible
- Project needs to show it can meet any additional infrastructure costs that would be incurred
- *Eligibility criteria assessment- MS Guidance*
 - Detailed guidance provided in Annex 6, including on innovation assessment required under Article 6.1(c) of the Decision

Transboundary Projects

- Project intended to take place on the territory of several MS
- Examples: An array of generation units e.g. PV cells or wind turbines sits across the boundary; CO₂ carriage from generation plant to storage site crosses boundaries either via pipelines, shipping or road/rail transportation; and storage reservoirs extend across a boundary such that the CO₂ will migrate between Member States
- The MS receiving the Proposal from the PS shall liaise with other MS concerned with a view to reaching a common decision on the submission
- Lead MS identified -after the submission

Selection assessment- Eligibility verification

- COM verifies the eligibility checks performed by MS
- Reasons for failure in the first call: existing, proven technologies; minimum threshold capacity not reached

Selection assessment- Due Diligence

- Carried out by EIB in impartial and objective manner in accordance with specifications agreed with COM
- Aim is to ensure that any Project to which a funding commitment is made in the form of an Award Decision, has a good prospect of proceeding to project completion and entry into operation
- Clarifications will be raised directly with PS who will be required to clarify with the MS as necessary

Ranking list

- *Ranking indicator: Cost-per-unit performance (CPUP)*
 - CPUP = total request for public funding + the best estimate of the net present value of additional benefits, all divided by the performance (ie. CO₂ stored or clean energy produced)
- *All CCS projects ranked together, RES projects ranked in sub-categories*
 - CCS Group: 8 highest ranked projects meeting portfolio requirements (storage+ technology)
 - RES Group: the top ranked project in each of the 34 Sub-categories
 - For RES, 'empty subcategories' can be filled up
- *RES Group and CCS Group identified*

Confirmation process

- COM confirms with MS their support to the projects, where appropriate on the value and the structure of the total public funding contribution on the basis of project financial package
- MS with more than 3 Projects to be awarded (over two calls) decide which to delete by refusing to confirm
- Deleted Projects will be replaced by the next highest ranked Projects; procedure above can be repeated

Final list and Award Decision

- Funding proportion CCS/RES to be established on the basis of confirmed Projects
- Following monetisation, the funding request and the available funds will be matched
- If funding requested exceeds the available funds, deselection procedure in Art. 8(3) to be used; if appropriate, Projects from technology (sub)categories which have not yet received awards shall be deselected last
- Call outlines a procedure to add Projects in case of excess funds available
- Call outlines a procedure to allocate funds to Projects if at the end of deselection there is still funding available

Reserve list

- A reserve list of Projects will be established, if appropriate
- To be used if funds become available for co-financing of further demonstration Projects
- Same procedure to allocate funds as for the determination of the Award list

Content of Award Decision

- *List of awarded Projects (Annex 1)*
- *Award Conditions on MS (Annex2)*
- *Specifications for Legally Binding Instrument (SLBI)- Requirements for disbursement of awarded funding from MS to PS (Annex3)*

Award Decision - Addressees

- The Award Decision is addressed to the MS who submitted the awarded Projects in Annex 1

Consequences:

- The Award Conditions in Annex 2 are binding on the MS
- MS must ensure that PS know and respect these conditions by means of the Legally Binding Instrument in Annex 3

Content of Award Decision

Specific provisions on:

- Excess funding
- Project failure
- Adjustment of Award Decision
- Knowledge sharing
- Intellectual property rights and licensing
- Payment requests
- MS Reporting

Conditions of the award and SLBI

- Two faces of the same coin: the SLBI mirror the conditions of the Award
- The disbursement of the revenues can be done only on the basis of the SLBI
- All the provisions of the SLBI must be included in the contract to be signed between MS and PS (according to national law)

Roles and responsibilities: COM

- Overall responsibility
- Assess State Aid compatibility of the public co-funding
- Verify MS Eligibility assessment of Projects; determining the CCS and RES group following selection assessment steps; ranking list
- Confirm with MSs the value and structure of the total public funding contribution for projects of CCS and RES group
- Balance -adjust the ranking lists of confirmed projects to available projects
- Adopt Award Decisions; adopt Rejection Decision for failed Projects

Roles and responsibilities- EIB

- Acts as an agent of COM
- Prepare financial and technical due diligence assessment (Article 7 of the Decision and specifications agreed with the Commission)
- Clarify proposals with PS
- Recommend an initial Allocation of Projects to technology categories and geographical regions
- Calculate the CPUP of any Project for which due diligence has been positively concluded; if necessary to ensure compliance with Decision and Call, relevant costs and CPUP will be adjusted

Roles and responsibilities: PS

- *Complete Application Forms, including:*
 - **Information needed to assess eligibility**
 - **Information needed for technical due diligence**
 - **Information needed for financial due diligence**
- *Liaise with MS as appropriate on calculation of relevant costs*
- *Respond to any clarification questions from EIB*
- *Once Project awarded, report on Project performance and share knowledge in accordance with requirements of the LBI*

Roles and responsibilities: MS

- Collect proposals
- Define the reference plant and communicating to PSs
- Conduct the Eligibility Assessment to verify eligibility of the projects
- Complete the Submission Forms, covering:
 - **Information needed to determine NER 300 funding request and CPUP, total request for public funding**
 - **Other administrative information**
- Submit proposals it considers eligible and wishes to support to EIB
- Provide COM/EIB with interim communication on submitted projects by category, by **6 weeks from the launch of the call**
- Disburse funds to projects based on SLBI, recovery of any excess funds, and report on implementation

Technical requirements

- *Technical information to be submitted under the headings:*
 - Operation, implementation, time schedule
 - Permitting, environmental assessment, location
 - Technical scope, Plant performance
 - Approach to risk management
 - Proposed operation
- *Some technical clarifications provided for particular RES (Sub)-categories in Annex 3 of the call*
- *Some technical clarifications provided on certain RES and CCS specifications also in Annex 6 (i.e. guidance on 'innovativeness' assessment of RES projects, clarification of heat integration requirement, capture rate for CCS)*

Financial requirements

- *Financial information to be submitted by PS*
 - Financial standing of project sponsor
 - Project costs
 - Project finance (including financial model)
- *Definition of reference plant*
 - RES to be defined by MS
 - CCS (only needed for pre-combustion capture, defined as supercritical coal)
 - Relevant parameters for all technologies
- *Calculation of relevant costs*
 - Methodology as specified in Article 3 of Decision and further outlined in Application Forms
- *Calculation of total request for public funding*
 - Relevant costs, minus any contribution from the operator, plus the NPV of support schemes calculated according to Article 3.5 of the Decision

Substantial change

- *PS may not change their Proposal in substance once it is submitted to the EIB.*
- *If a change arises, they must inform MS, EIB and COM.*
- *The Commission has the discretion to treat the request for substantial change.*
- *The Commission will treat notification of substantial changes (changes affecting the CPUP/relevant costs) in such a way that PS will not benefit from late submission*



Contact

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NER 300 website- Second Call for Proposals:

http://ec.europa.eu/clima/funding/ner300/index_en.htm