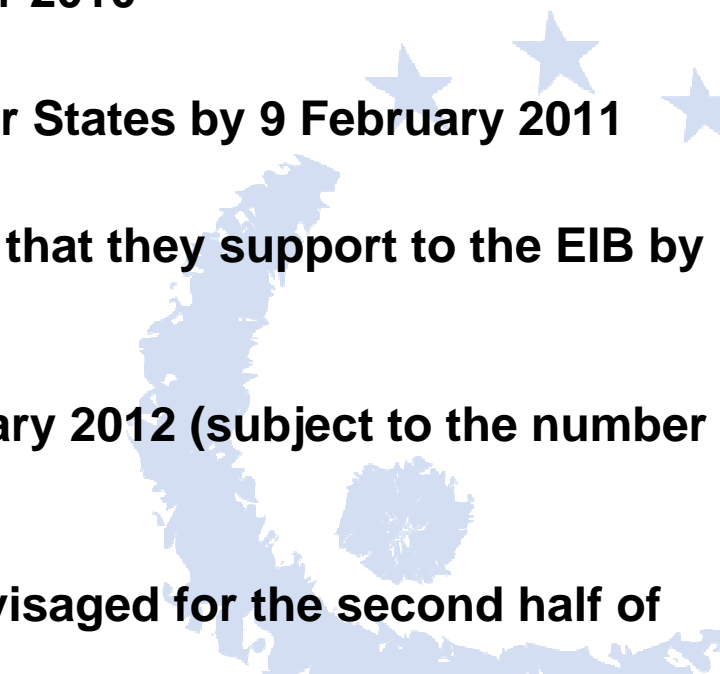


Overview of NER 300 call for proposals

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European Commission

Timing of process

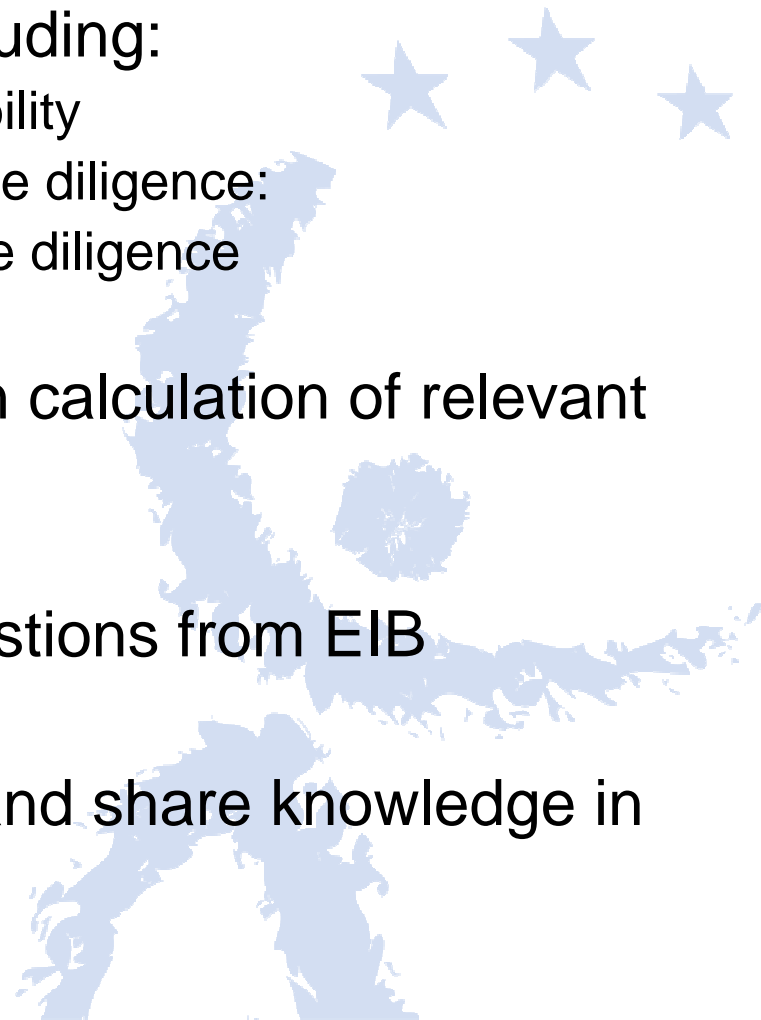
- **Launch of Call for proposals 9 November 2010**
 - **Projects to submit application to Member States by 9 February 2011**
 - **MS to submit those eligible applications that they support to the EIB by 9 May 2011**
 - **EIB completes its evaluation by 9 February 2012 (subject to the number of proposals received)**
 - **Award decisions for the first tranche envisaged for the second half of 2012**
- 



Energy for a Changing World

Roles and responsibilities: Project sponsor

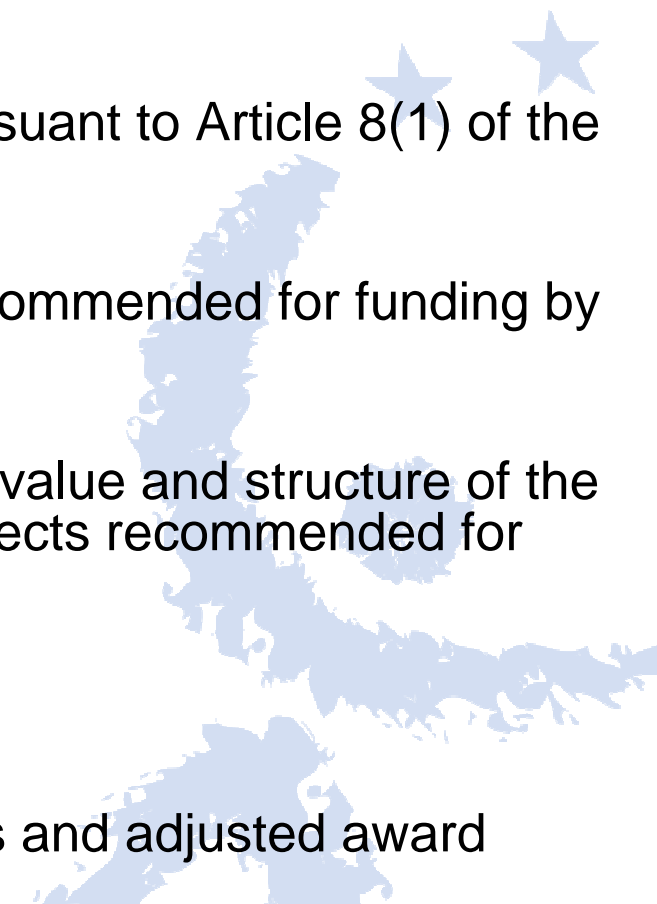
- Complete application forms, including:
 - Information needed to assess eligibility
 - Information needed for technical due diligence:
 - Information needed for financial due diligence
- Liaise with MS as appropriate on calculation of relevant costs
- Respond to any clarification questions from EIB
- Report on project performance and share knowledge in accordance with requirements



Roles and responsibilities: Member State

- Defining the reference plant for RES projects and communicating to project sponsors
- Collecting proposals
- Conducting the Eligibility Assessment to verify eligibility of the projects
- Completing the submission forms, covering:
 - Information needed to determine NER 300 funding request and to calculate cost per unit performance
 - Administrative information
- Providing COM/EIB with interim communication on submitted projects by category, by **9 March 2011**
- Submitting proposals it considers eligible and wishes to support to EIB
- Disbursement of funds to projects based on Legally Binding Instrument, recovery of any excess funds, and reporting on implementation

Roles and responsibilities: Commission

- Ensuring co-ordination of NER 300 award decisions with any State aid assessment
 - Conducting competitiveness check pursuant to Article 8(1) of the Decision
 - Verifying eligibility of those projects recommended for funding by EIB
 - Re-confirming with Member States the value and structure of the total public funding contribution for projects recommended for funding
 - Consulting with CCC
 - Making and publishing award decisions and adjusted award decisions
- 

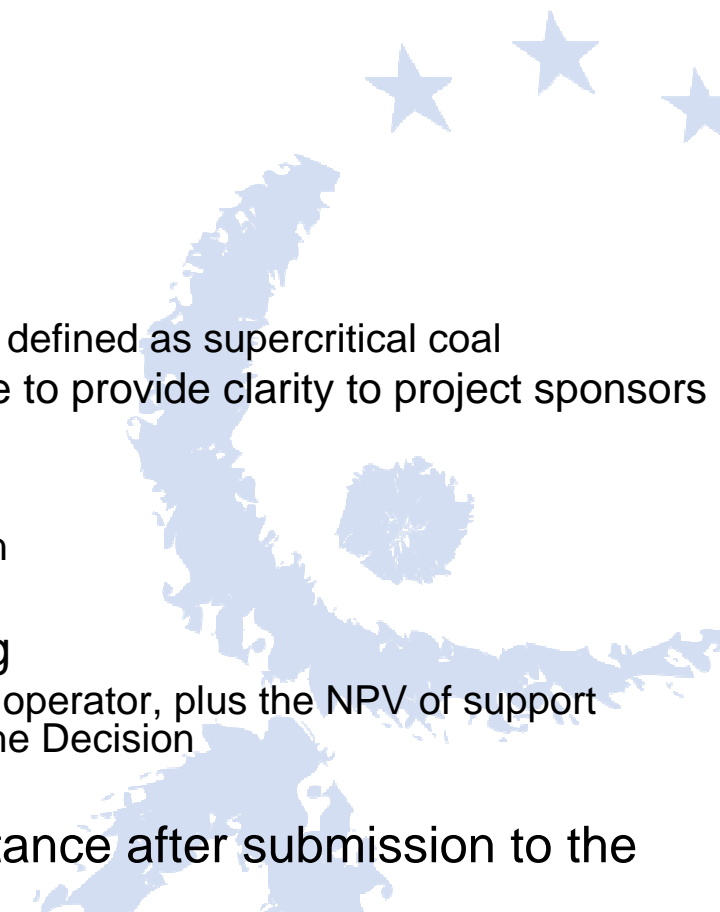
Roles and responsibilities: EIB

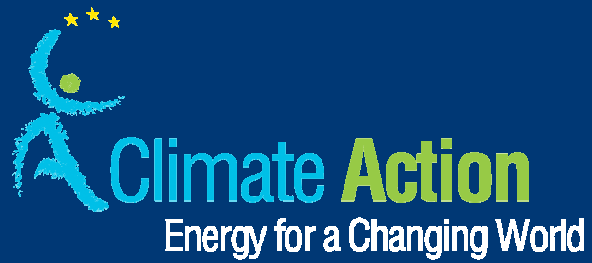
- Conducting detailed financial and technical due diligence in accordance with Article 7 of the Decision and with specifications agreed with the Commission
- Clarification of proposal with the project sponsor
- Allocating projects to technology category and geographical region
- Calculating the cost per unit performance of any project for which due diligence has been concluded positively, ranking of projects, and determination of CCS group (8 projects) and RES group (34 projects)
- Calculating the funding proportion between CCS and RES group
- Following monetisation of allowances, adjusting the number of proposals to the available funds

Technical requirements

- Technical information to be submitted under application forms on the following issues:
 - Operational start date and implementation
 - Permitting, environmental assessment
 - Technical scope
 - Approach to risk management
 - Proposed operation
- Some technical clarifications provided for particular RES categories and sub-categories in Annex 3 of the call
- Some technical clarifications provided on certain RES and CCS specifications also in Annex 6 (for instance, guidance on ‘innovativeness’ assessment of RES projects, clarification of heat integration requirement, capture rate for CCS)

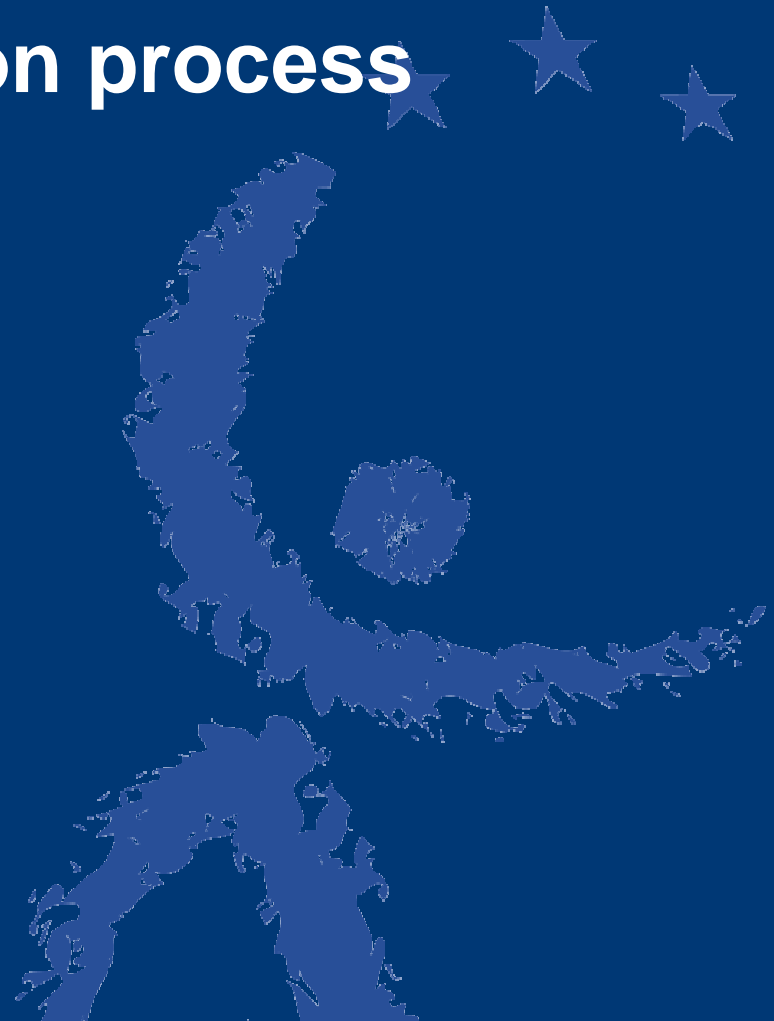
Financial requirements

- Financial information to be submitted by Project Sponsor in application forms
 - Financial standing of project sponsor
 - Project costs
 - Project finance (including financial model)
 - Definition of reference plant
 - RES to be defined by Member State
 - CCS – only needed for pre-combustion capture, defined as supercritical coal
 - MS encouraged to define as early as possible to provide clarity to project sponsors
 - Calculation of relevant costs
 - Methodology as specified in Article 3 of Decision
 - 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
 - Applications may not be changed in substance after submission to the EIB
- 



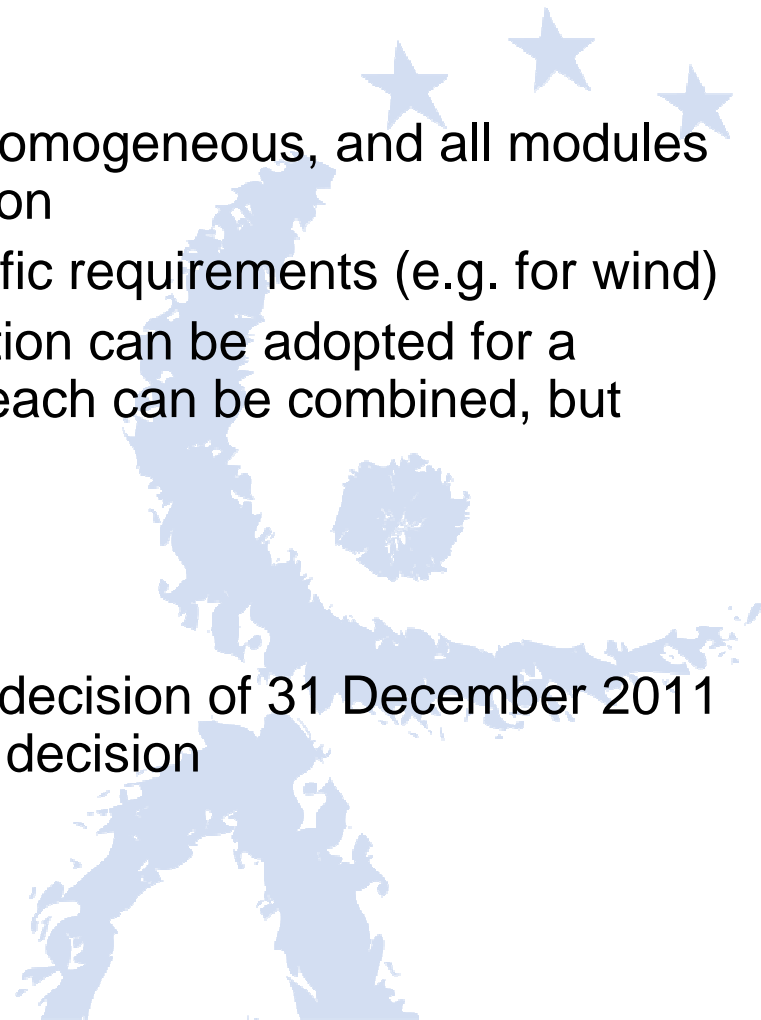
NER 300 selection process

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Selection process: eligibility 1

- Capacity thresholds
 - 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)
 - Where more than one technical solution can be adopted for a particular sub-category, modules of each can be combined, but must each be above the threshold
- Date of entry into operation
 - 31 December 2015 based on award decision of 31 December 2011
 - effectively, within 4 years of award decision



Selection process: eligibility 2

- 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
 - Confirmation of compliance with this criterion will be requested by the Commission when it re-consults Member States before making award decisions (early 2012)
 - 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 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

Selection process: eligibility 3

- Shared infrastructure
 - Only costs relevant to the individual Proposal 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
 - Detailed guidance provided in Annex 6, including on innovation assessment required under Article 6.1(c) of the Decision

Due diligence

- Carried out by EIB in impartial and objective manner in accordance with specifications agreed with Commission
- 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
- Applications for NER 300 Funding may be less developed than normal loan applications; EIB will bear this in mind, but will aim to conclude Due Diligence positively only for those projects which provide the assurance required for the NER 300 Process
- Clarifications will be raised directly with project sponsors who will be required to clarify with the Member States as necessary

Ranking

- All CCS projects ranked together, RES projects ranked in sub-categories
- RES Group and CCS Group identified
 - RES Group comprises the top project in each of the 34 categories
 - CCS Group 8 highest ranked projects meeting the Article 8(2) requirements
- Funding proportion is the ratio between the NER funding request of the CCS Group and the NER funding request of the RES group
- If the funding request exceeds the available funds, projects deleted according to the methodology of Article 8; if less than the available funds, projects added according to a mirror image of the deletion methodology
- The result constitutes the EIB's recommendations for funding to the Commission

Geographical balancing

- Commission reconfirms eligibility of all recommended projects
- Commission re-consults MSs on the value and structure of any public funding contribution
- This is the mechanism by which MSs with more than three projects on the list decide which to delete (by refusing to confirm MS funding)
- Deleted projects will be replaced by the next highest-ranked projects; iteration until a stable list
- Award decisions issued to all projects on the list

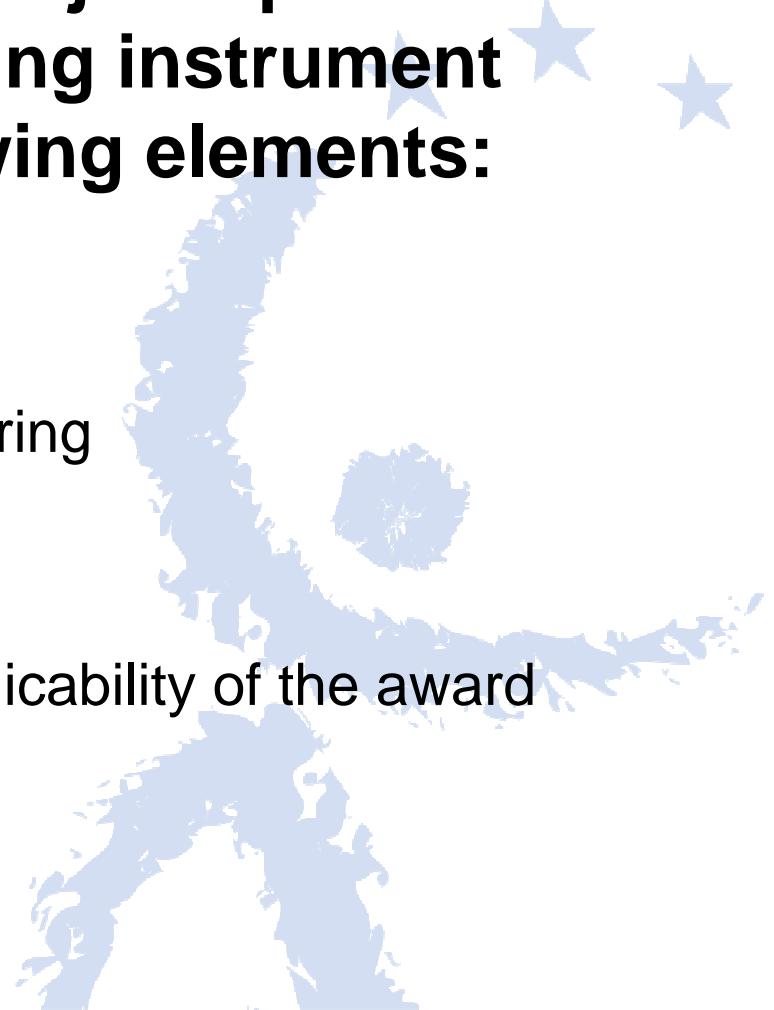
NER 300 - Requirements for disbursement

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- **Principles:**

- Annual funding – upfront funding possible where return of excess funds to EIB guaranteed
- Disbursed amount: Amount of CO₂ stored (for CCS) or of energy produced (for RES), multiplied by funding rate
- Funding rate: Awarded funding divided by 75% of the projected total amount of CO₂ stored in the first 10 years of operation or of energy produced in the first 5 years of operation
- Disbursement limited to 10 years (CCS) and 5 years (RES) from date of entry into operation
- Disbursement only if knowledge sharing requirements are met for and in a particular year

- **MS to disburse funds to project sponsors on the basis of a legally binding instrument (LBI) containing the following elements:**
 - project and awarded funding
 - date of entry into operation
 - requirements for knowledge sharing
 - requirements for disbursement
 - requirements for reporting
 - information on conditions of applicability of the award decision



- COM has provided specifications for the LBI (SLBI) in an Annex to the call
- Details and language on all requirements for disbursement
- Intention to make these binding through award decisions



- **Three options:**
 - Full annual disbursement
 - Full upfront disbursement
 - Combination
- **SLBI sets out details on:**
 - calculation of funding amount
 - conditionality of funding
 - timing and end of payments (“Long-Stop Date”)



SLBI – recovery of funds

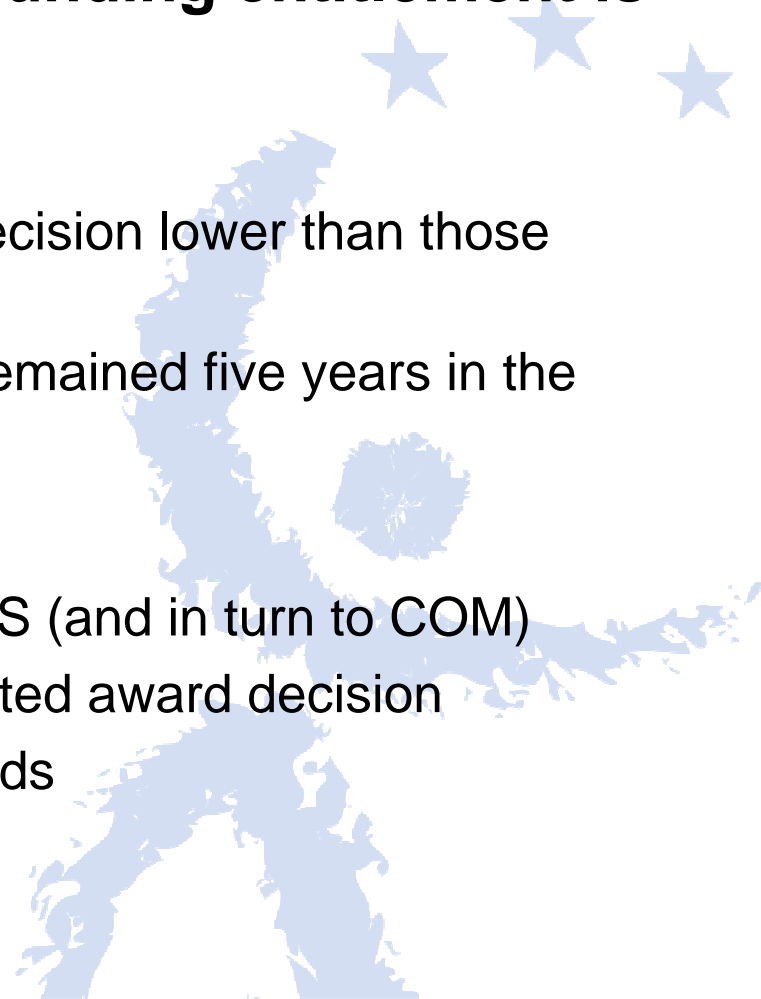
- **Any excess funds at the end of disbursement to be returned the MS**
- **SLBI sets out details on:**
 - calculation of excess funds
 - delays for notification of project sponsors and return of the excess funds



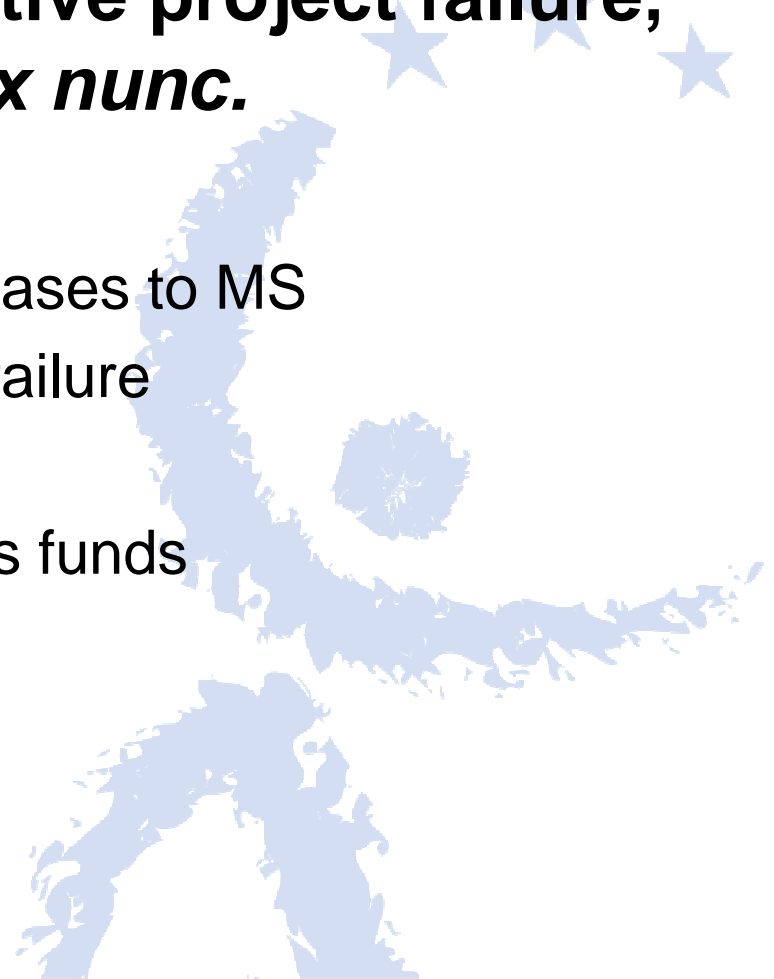
- **If and when award decision loses legal effect, project *ex tunc* loses entitlement to receive funding**
- **3 cases – Art. 9 NER 300 Decision:**
If within 24/ 36 months upon adoption of award decision:
 - not all relevant permits issued
 - State aid approval not granted
 - final investment decision not reached
- **SLBI sets out details on:**
 - establishment of Art. 9 case
 - notification of project sponsors
 - return of funds



- **If award decision is adjusted, funding entitlement is also adjusted**
- **2 cases:**
 - relevant costs at final investment decision lower than those estimated in award decision;
 - intangible asset sold before it has remained five years in the establishment of the recipient
- **SLBI sets out details on:**
 - notification of adjustment case to MS (and in turn to COM)
 - adjustment of LBI pursuant to adjusted award decision
 - calculation and return of excess funds



- **In any other case of definitive project failure, funding entitlement lost *ex nunc*.**
- **SLBI** sets out details on:
 - notification of potential failure cases to MS
 - MS determination of definitive failure
 - COM notification
 - calculation and return of excess funds



Knowledge sharing requirements 1

- Information specified in Annex II to the Specifications must be provided to the appropriate body
 - For CCS will in the first instance be the CCS project network
 - For RES, COM will designate an appropriate body
- Information may be shared according to two protocols
 - Level 1: All NER 300 projects of the same category (and any other project agreeing to share on same terms)
 - Level 2: wider CCS and RES community, and where appropriate the public
- No requirement to disclose if that would allow reverse engineering, or prejudice ability to obtain intellectual property protection

Knowledge sharing requirements 2

- Foreground IP (developed in project) belongs to the developer
- Where required by the MS, a non-exclusive licence to foreground must be given, on commercially reasonable terms, and where necessary to implement the project
- Member States can require this where and to the extent that it is necessary to fulfil the knowledge-sharing objectives set out in the ETD, the NER 300 Decision and the award decision
- No requirement to grant licence where:
 - This would prejudice ability to obtain IP protection
 - For licencing into a third country, the IP laws and enforcement regime do not offer equivalent protection to the EU's
- The second of these derogations is without prejudice to any licencing requirements established at national level for projects receiving national funding

- For CCS, requirements are based on data from ETD Monitoring and reporting guidelines
- Calculation methodology is defined so as to calculate the annual amount of tonnes of CO₂ injected for storage in accordance with the requirements of the CCS Directive 2009/31/EC
- For RES, requirements are based on data from the MS regime for measuring implementation of the Renewable Energy Directive 2009/28/EC
- For bioenergy projects producing intermediates, the Project Sponsor shall propose a methodology to the satisfaction of the Member State