

Questions and Answers on the NER 300 Programme and the first Call for Proposals (08/02/2011)

This document continues the series of Questions and Answers documents on the NER 300 programme and the first call for proposals published on the NER 300 website (http://ec.europa.eu/clima/funding/ner300/index_en.htm).

207) What is exactly meant by the term "assets" in Application Form 10?

All tangible assets to be used by a project, such as infrastructure and/or equipment which are considered necessary to successfully implement and operate the project.

208) What changes to a Proposal are considered “substantial” and can therefore not be made after a Proposal has been submitted to the EIB? In the event of changes after submission to the EIB, how would the EIB/Commission assess whether such change is substantial and who is responsible for demonstrating that it is not substantial (e.g. change of storage location while using the same type of storage type)?

It is not possible to define in advance what changes may be considered substantial within the meaning of Sections 4.7 of the Call further to the examples already provided in the para 25 of the Call. Section 12.6 of the Call (para 137.1) requires that any change to a project, after the Proposal has been submitted to the EIB, has to be notified to the Member State, the EIB and the Commission. Appropriate information about the change in line with the relevant Application Form should be provided to allow appropriate assessment of such a change/modification. This information may include the Project Sponsor's opinion and reasoning as to whether the change is substantial or not. Impacts of such a change on relevant cost, ranking and CPUP will be reported by the EIB to the Commission.

209) In the case of Proposals combining storing CO₂ with Enhanced Oil Recovery (EOR), how should revenues from EOR be projected?

For CCS projects, Project Sponsors are required to provide details of any products produced during operation with CCS, including information on their volumes per annum and forecast revenues. Revenues generated by the demonstration project such as incremental oil recovery due to EOR (compared to base case – no injection), are considered as operational benefits and therefore need to be considered appropriately under Application Form 11. The incremental hydrocarbon production should be derived from reservoir simulations comparing the base case scenario (no injection) to the case of EOR.

210) Which prices should be used as a basis for the amounts presented in the Application Forms?

Under Application Form 11, the Investment Costs have to be presented on a year 0 basis, i.e. as they would all occur in the year prior to the first year of commercial operation. Under Application Form 12, Project Sponsors must explicitly state these costs in their Financing Plan, ensuring that these are consistent with and easily reconcilable to those shown in Application Form 11. Costs should be presented in constant and in indexed prices. The indexation assumptions made should preferably be

agreed with the relevant Member State and stated clearly in the submission with a justification of the indexation used. Unindexed amounts are anticipated as being in December 2010 prices the ones that should be used as the basis for the indexed prices.

211) For CCS projects, which Non Art.3 Operating Costs should be presented in Application Form 11?

Under Application Form 11, Non Art.3 Operating Costs are those operating costs borne by the project which do not relate to the application of CCS i.e. fixed and variable operating cost of the power plant without those elements and its associated operating costs which make up for the CCS part. In the Financial Model Specification, Project Sponsor should calculate the IRR both for the case of Power Plant including CCS and for the case of Power Plant excluding CCS.

212) Can you confirm that Operating Costs & Benefits in Application Form 11 are to be expressed on a nominal basis?

Yes.

213) If the CCS project is sized for a power capacity lower than the nominal capacity of the original power plant, how must the cashflows for the purpose of determining the IRR be established (Application form 12)?

The relevant cash flows must be established on the basis of the nominal capacity of the power plant without the application of CCS, as this is the base case; change of system boundaries for calculating cash flows (or physical flows) after adding CCS would not result in determining the “incremental impact of CCS”.

214) If the Project Sponsor does not exist legally at the submission of the application, how should the financial details be provided?

The Project Sponsor is defined as the single entity, consortium of entities or entities of the SPV/JV or otherwise, who will deliver the proposed Project, including those providing finance to the Project. In this sense, if the project is not backed at the submission date of the Project Application by a legally constituted entity, financial details should be provided by all future partners in the project that will be bearing risk or providing funds to the enterprise. The assessment of the Project Proposal will be based on the financial strength of the partners. If details of the proposed capitalisation of, or other relevant financial information relating to, a yet-to-be-created Project Sponsor are known, then those details should be included in addition to any details provided relating to other, existing entities.

215) Are loans by the EIB considered to be public financing? How will they be treated under NER 300?

Loans by EIB are not considered “public finance” within the meaning of Art. 12 of the NER 300 Decision; and neither are loans by EIB considered “public funding” within the meaning of Art. 2(3) of the NER 300 Decision. Loans from EIB will be treated equally with loans from commercial banks as a source of outside finance. This implies that EIB

loans to a Project should be disclosed under “funds provided directly to the Project by third party commercial sources (e.g. bank, supplier finance, etc)” as described in Application Form A12.2 paragraph 2(iii) and Financial Model Specification paragraph 24(c).

216) In case the Project proves to be non-profitable during financial Due Diligence, would it pass Due Diligence and be considered for the Project ranking?

According to para 23 of the Call, Projects should demonstrate the robustness of the Proposal from a financial perspective. In case this cannot be demonstrated, the EIB will not be in the position to conclude positively on the financial Due Diligence.

217) In Application Form 12, page 6, the discount rate is to be agreed with the Member State based on the following document: “Communication from the Commission on the revision of the method for setting the reference and discount rates” (2008/C 14/02) published in the Official Journal of the EU on 19.01.2008 (link: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:014:0006:0009:EN:PDF>). The document refers to the calculation basis for the discount rate as the 1-year IBOR available in almost all Member States. However, for some Member States with national currencies this IBOR rate is not available. Taking into account that the financing plan has to be prepared in Euro, please explain which discount rate should be used.

For cashflow items denominated in Euro, EURIBOR should be used as the relevant IBOR rate. This is considered reasonable because Euro interest rates are similar across the Euro area.

218) If the ultimate holding company supplies a statement or letter of support, will it suffice for the entities within the SPV to complete Application Form 9?

Financial information in respect of the SPV or the entities forming part of the JV should be given in sections A9.3 and A9.4. Financial information in respect of a parent/ultimate holding company (or any other entity) providing a guarantee, indemnity or undertaking should be given in section A9.6, A9.7 and A9.8. Please be aware that the assessment will be based on the Project Sponsor and any other entity requested to fill Application Form 9.

219) Can the Commission clarify which risks the “guarantor” (as used in Application Form 9) is supposed to cover?

The term “guarantor” refers both to an entity providing support for the Project Sponsor’s financial strength (e.g. a parent company guarantee of all liabilities of the Project Sponsor) and to an entity providing support for the risks of the implementation and/or operation of the project (i.e. a guarantee of completion or operation risk). The term is intended to be interpreted widely so that all possible sources of financial support are considered.

220) How should gross electrical output before capture be understood in Application Form 11 for CCS post-combustion Projects?

Gross electrical output should be understood as the total sent out electrical capacity for the power plant without capture including normal station auxiliary loads.

221) For Projects submitted under onshore wind technology sub-categories, to which elements of the Project will the requirement "innovative in nature" be applied? Would a Project be eligible which contains no direct innovation in the turbine technology, but whose foundation and/or power export technology is considered to be of "innovative nature"?

Pursuant to the clarifications provided in Annex III of the NER300 Call for Proposals, for Projects submitted under Category "Wind", technological improvements or features to be demonstrated should concern the wind turbine themselves, not any ancillary devices such as the transport or erection equipment. For onshore wind sub-categories, these technological improvements or features in the wind turbine are expected to address either the complexity of the terrain (subcategory [WINE]) or the problems arising during operation in cold climate (subcategory [WINf]).

222) Under the Concentrated Solar Power (CSP) sub-categories pursuant to Annex I, Part A., II. of the NER 300 Decision, there is no provision for Tower Systems using "Molten Salts" or other environmentally benign heat transfer fluids. Could a tower project using molten salt technology with a superheated steam cycle be considered eligible?

Yes.

223) With reference to the fifth sub-category under the CSP category in Annex I Part A. II. of the NER 300 Decision, 'Large- scale Stirling dish power plants with solar to electric efficiency of over 20% and nominal capacity of at least 25 MWe [CSPe]' (CSPe in the Call documentation), would large-scale dish power plants involving Rankine thermal power cycle (and not Stirling thermal power plant) also be eligible?

No. Only Stirling dish power plants are eligible under subcategory CSPe.

224) What exactly is meant with the date of "entry into operation" in the NER 300 process? In other words, does an entire energy installation need to be fully operational, or is the first feeding-in of energy seen as entry into operation?

As set out in the Technical Glossary for the Application Forms, "entry into operation" should be understood to mean that all elements and systems required for operation of the project have been tested and (1) for CCS demonstration projects CO₂ has commenced injection into the storage site and (2) in the case of RES demonstration projects, electrical generation or production of heating, cooling or transport fuels (as appropriate) has commenced. Demonstration projects should ramp-up to the nominal capacity of the project shortly after that milestone.

225) If the capture technology (including CO₂ compression and dehydration) will be implemented at an existing unit of a Power Plant, is it appropriate that CO₂

monitoring, reporting and verification for the unit will be included in the CO2 monitoring for the power plant?

Monitoring and verification of any CO2 emissions from the capture plant have to be carried out pursuant to Art. 14(1) and (3) of Directive 2003/87/EC (EU-ETS Directive) and may be combined with monitoring and verification of CO2 emissions from the power plant itself, as long as the respective sources of any emissions remain distinguishable.

226) Question 75 notes that trans-boundary Projects have to straddle national borders, but that the Member States involved do not necessarily have to have common borders. Would it therefore be possible to consider as a trans-boundary Project an offshore deployment in the maritime areas of countries which do not have common borders?

In case "offshore deployment" means an offshore Project including an array of generation units, it would not be possible that the Member States concerned did not have common borders. Paragraph 71 of the Call for Proposals clarifies that for a trans-boundary Project including an array of generation units, e.g. PV cells or wind turbines, these units would sit across the boundary. Trans-boundary projects without a common border would for instance, include a CCS Project where the captured CO₂ is transported via ship to another Member State for the purpose of CO₂ storage.

227) As Award Decisions are expected for the second half of 2012 and "a reasonable expectation of entry into operation within four years of the adoption of the respective Award Decision has to be demonstrated" (Para 48 of the Call for Proposals), would a Project that demonstrates a reasonable expectation of entry into operation by mid 2016 be eligible?

Projects have to demonstrate a reasonable expectation of entry into operation within four years of the adoption of the respective Award Decision. The demonstration should hence be made in relative rather than in concrete terms.

228) Under Annex I, A. II. first category Bioenergy, 6th sub-category under the NER 300 Decision (BIOf under the Call, "Lignocellulose to electricity with 48% efficiency"), if the Project is Combined Heat and Power (CHP) production, how is the efficiency determined?

Under subcategory BIOf, the relevant final product against which the CPUP will be calculated is electricity only. To take into account the combined production of heat and power in the plant, the Project Sponsor should demonstrate that, for the purpose of the determination of electricity as the final product, full account has been taken of the impacts of the technology and processes associated with the plant, infrastructure and utilities proposed. Information provided by the Project Sponsor should also include mass and energy balances (in line with Application Form 3). It should be noted that revenue streams resulting from heat generation and sales have to be considered for the calculation of the relevant cost. For the purpose of determining the different outputs of a CHP and their related efficiencies, the methodologies outlined in Directive 2004/8/EC and Decision 2007/74/EC have to be followed as and to the extent applicable.

229) Annex I, A. II. first category Bioenergy, 8th sub-category under the NER 300 Decision (BIOh under the Call) includes household waste. Is waste cooking oil or are other kinds of used oil from domestic sources included in this definition? Which kinds of oil would fall within this category?

The NER300 Decision does not specify any requirements for household waste. According to Commission Decision 2000/532/EC, waste from edible oil and fat are listed under the municipal waste category, which includes also household waste.

230) If the capture technology (including CO2 compression and dehydration) will be implemented at an existing unit of a Power Plant, is it appropriate that CO2 monitoring, reporting and verification for the unit will be included in the CO2 monitoring for the power plant?

Monitoring and verification of any CO2 emissions from the capture plant have to be carried out pursuant to Art. 14(1) and (3) of Directive 2003/87/EC (EU-ETS Directive) and may be combined with monitoring and verification of CO2 emissions from the power plant itself, as long as the respective sources of any emissions remain distinguishable.