

Questions and Answers on the NER 300 programme and the first call for proposals (13/01/2011)

The below list of Questions and Answers continues the list of Questions and Answers on the NER 300 programme and the first call for proposals that was published as MEMO/10/549 (http://ec.europa.eu/clima/funding/ner300/docs/faq_en.pdf), and the lists of Questions and Answers of 6 December 2010 (http://ec.europa.eu/clima/funding/ner300/docs/updated_faq_en.pdf), of 17 December 2010 (http://ec.europa.eu/clima/funding/ner300/docs/faq_3_en.pdf), and of 21 December 2010 (http://ec.europa.eu/clima/funding/ner300/docs/faq_4_en.pdf).

The below Questions and Answers were discussed with representatives from Member States at a meeting on reference plants in the NER 300 process organised by the Commission services that took place in Brussels on 10 January 2011. The presentation that was given at the meeting can be accessed on the following webpage:
http://ec.europa.eu/clima/funding/ner300/docs/presentation_en.pdf.

112) Can the Commission provide a list of assumptions for the reference plant? What discount rates should be used?

Pursuant to para 102 of the Call for Proposals, it is for the Member States to define the reference plant and any associated assumption to enable the relevant costs to be determined in conjunction with the Project Sponsor. The Project Sponsors should, in agreement with Member States, determine any assumptions for their own individual project. Member States should ensure that the assumptions made for all the Projects they submit are consistent unless justification is provided for a difference. The Commission has no role in this process, and hence no legal basis to provide requirements either on the choice of the specific reference plant or on related assumptions envisaged to be used by MS to determine relevant cost. To help Project Sponsors and Member States in this exercise, the Commission, in a meeting with Member States on 10 January 2011, has provided guidance on the basis of worked examples related to electricity generation and to biofuels and bioliquids. The worked examples include also a list of relevant assumptions, which MS are free to use to determine the relevant cost in a RES sub-category of a Project they intend to submit. Concerning discount rates to be used, the guidelines on the discount rate, which are based on official EU data, are to be found in Application Form 12.

113) Is the EIB entitled to modify the assumptions for the reference plant? What happens if the EIB challenges the assumptions for a reference plant?

Where relevant for the financial due diligence, the EIB will consider whether the assumptions for the reference plant submitted by MS are appropriate. The EIB may, following confirmation/discussion with the Project Sponsor, undertake alternative scenarios and perform sensitivity testing. Depending on the results of the discussion with the Project Sponsor, new assumptions can potentially be taken into account for the financial due diligence of the Project.

114) Can a Member State still use a CCGT (Combined Cycle Gas Turbine) as a reference plant even if gas is not used in the Member State for electricity generation?

Member States are free to use CCGT as a reference plant also in the case that gas is not used in the Member State for electricity generation.

- 115) **Can a Member State use a CCGT as a reference plant in the case that it considers that a CHP (Combined Heat and Power) plant might be a more suitable reference plant to reflect the national circumstances?**

It is the Member State's responsibility to use the reference plant which it considers to be most suitable according to the national circumstances. For the specific case of CHP as a reference plant, revenues from heat sale would have to be accounted appropriately as an operating benefit of the reference plant, against which relevant costs of the project related to electricity generation would need to be calculated.

- 116) **Is it possible to use (a series of) natural gas generators of smaller scale to comply with the requirement of Art. 3 of the NER 300 Decision (related to “... conventional production with the same capacity in terms of effective production of energy’)? More generally, is it compulsory to take as a reference plant an electricity generation plant which has the same capacity as the proposed project?**

It is possible for Member States to use (a series) of natural gas generators of smaller scale, if deemed appropriate by the Member State. The “same capacity” requirement set out in Art. 3 of the NER 300 Decision can be met also by using an appropriate methodology to scale-down a conventional production plant of larger capacity. For example, to determine the relevant costs on the basis of the CCGT, downscaling could be done by adjusting the capacity and costs of the CCGT to the RES project through appropriate factoring in of the load factor.

- 117) **Is it possible to deviate from the Application and Submission Forms provided in the Call documentation?**

Yes. The Application and Submission Forms are guidance documents. Project Sponsors and MS are free to modify them if deemed necessary, although Project Sponsors and MS are encouraged to stick as closely as possible to the structure and information required in the Forms in order to facilitate the due diligence process. Project Sponsors are encouraged to provide as much detail as possible in their application, also by e.g. submitting additional documentation associated with an Application Form to ensure a smooth due diligence process. Such additional documentation could be in forms of studies, diagrams, graphs, tables, other narrative explanations, whereas the additional documentation should be clearly linked in a point-wise fashion to the information request of the respective Application Form.

- 118) **Would it be possible to use 2 different reference plants for the same sub-category, for example in the case that specific differences arise between the sites where the Projects will be implemented?**

Pursuant to para 102 of the Call, Member States should ensure when defining a reference plant that for all projects they submit within a given sub-category the technology type is the same. In addition, Member States should ensure that the assumptions for the reference plant made are consistent for all Projects they submit, unless a proper justification is provided for the difference. Consequently, it could be envisaged to use different reference plants for the same sub-category, if this was justified on the basis of specific differences between Projects.

- 119) **For the purpose of determining the reference plant, is it possible to follow the approach used in the State aid guidelines for environmental protection?**

It is the Member State's responsibility to determine the reference plant in co-

ordination with the Project Sponsor (see Q112). Member States are free to follow the approach used in the EU State aid guidelines for environmental protection, if deemed appropriate.

- 120) **Concerning biofuels and bioliquids, is a Member State allowed to use as a reference plant the fossil fuel reference, even when capex and opex of a conventional refinery are not known?**

To determine the relevant costs for a biofuel or bioliquids project, Member States may compare costs and benefits per unit of energy of the innovative project, for example with gasoline or diesel price, thus overcoming the challenges of the conventional refinery cost structure.

- 121) **Can a Member State choose steam reforming of natural gas as a reference plant to produce hydrogen under the third sub-category of the Bioenergy category in Annex I Part A. II. of the NER 300 Decision (BIOc under the Call)?**

Under the third sub-category of the Bioenergy category in Annex I Part A.II. of the NER 300 Decision, only synthesis natural gas or synthesis gas and/or power can be considered as a relevant output. For this sub-category, when the output is syngas, coal gasification could be used as a reference plant.