

Questions and Answers on the NER 300 Programme and the first Call for Proposals (17/01/2011)

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).

- 122) Application Form 2, Table 2.1. Item c) "Brief description of project sponsor structure": Is this question only relevant for a consortium and not for an individual company. If this is not correct, could you please specify which information on the internal organisation structure of the project sponsor is requested?**

Project Sponsors do not have to give details of the organisation structure of the individual companies. This section is intended for a consortium or Joint Venture etc., where the Project Sponsor includes more than one company.

- 123) What is meant by a "conflict of interest" as referred to in Para 142 of the Call, and in Application Form A.2.4.?**

As an example, it is anticipated that some companies will submit more than one application to NER 300 (either individually or as part of consortia). In the event that companies are participating in more than one Joint Venture or consortium, companies must ensure that appropriate controls are in place to protect any confidential information that is held in respect of the Project Sponsor. Any actual or perceived conflict of interest need to be disclosed in the application as appropriate.

- 124) Are the terms "Adjusted Annual Funding Disbursement" and "Adjusted Funding Rate" referred to in the Specifications for the Legally Binding Instrument (SLBI) (Annex 4 to the Call) linked or separate concepts?**

Pursuant to point 3. C. b), the term "Adjusted Annual Funding Disbursement" refers to the remaining annual instalments to be paid to the Project Sponsor in case of partial upfront funding. In this case, the annual funding disbursement is adjusted compared to the base situation, namely full annual funding disbursement. The Adjusted Annual Funding Disbursement is calculated on the basis of the "Adjusted Funding Rate", which is specified in the Award Decision, see Annex I point 2, second para of the SLBI. With a view to not confusing this type of adjustment with the formal adjustment of the Award Decision in the cases referred to in point 6. of the SLBI, the term "Adjusted Award Decision" in Annex I point 2, second para of the SLBI has been changed to "Award Decision" (see http://ec.europa.eu/clima/funding/ner300/docs/call_corrigenum_3_en.pdf).

- 125) What level of commitment from a company board is required as part of the application for NER 300 funding? Does this require a formal commitment from the Company Board?**

This should be a formal commitment letter confirming the Board's commitment to undertake the project if NER 300 funding is provided and provide proof of the Board's confidence in the financing plan and cash flow projections for the project given the expected rate of return.

126) From what point in time in the process will costs be included in the relevant costs?

Privately financed costs incurred or costs to which Project Sponsors have committed in a legally binding agreement with suppliers before submission of the Project Proposal by a Member State to the EIB cannot be included in the relevant costs. Project Sponsors are nevertheless encouraged to include information on such costs in the cost sheets for the purpose of complete cost information. Privately financed costs incurred or costs to which Project Sponsors commit in a legally binding agreement with suppliers after submission of the Project Proposal by a Member State to the EIB, such as for FEED studies or the drilling of the appraisal wells, can be included in the relevant costs.

127) Will Projects, which enter into operation prior to the Award Decision, still be funded under NER 300?

No. It is presumed that Projects enter into operation after the Award Decision, see Art. 11(1) of the NER 300 Decision, and Annex 7 point 2 of the Call.

128) Is it possible to apply a common CO2 capture system in case of an IGCC demonstration plant, where two trains will be installed - electricity generation (IGCC & CCS) and chemical production?

A Project can only apply for a single Project category or sub-category. Separate applications can be made for the separate technical components (in this case power generation and chemical production). If two applications are made then costs must be separately identified for each submission and treated according to the instructions provided for shared infrastructure in the Call for Proposals, Sections 5.5 and 5.6.

129) In relation to biofuels sub-categories (bionergy category): for the purpose of the energy output calculation, has the energetic value of any non-lignocellulosic input to be deducted from the gross energy content of the biofuel?

Yes. To demonstrate this, an energy balance for the conversion reactions should be provided.

130) How is a “transparent” contract defined, if transport and storage are outsourced, and what information should the transport and storage operator include in the contract (Para 21 of the Call for Proposals)?

The description of the contract should include details of cost (both relevant and non-relevant as appropriate), the timing of implementation and details of the 3rd party which is providing the outsourced component of the project. The information should be sufficient to allow the EIB to undertake an effective due diligence assessment on the costs and, where appropriate, the financial standing of the 3rd Parties.

131) How should rates of return be included in the Project Application?

Project Sponsors should include rates of return in the project financing plan (Application Form 12). It is important to indicate whether the IRR falls below the Project Sponsor's typical hurdle rate, and confirmation of the level of support from the Board should be provided. It is anticipated that the rate of return demanded from a Project will influence the calculation of relevant costs and therefore the relative ranking of the project on CPUP.

132) Can financial guarantees for CO₂ storage be included in Application Form 12? Is there any recommendation on how to evaluate such guarantees?

The costs of guarantees should be included in the cost sheets and the financing plan as appropriate. It will be up to the competent national authorities, according to the requirements of Directive 2009/31/EC on the geological storage of carbon dioxide, to require the storage operators to establish and maintain financial security as part of the storage permit.

133) What level of detail is required on risk identification in Application Form 13?

The information should be sufficient for the EIB to come to an informed view in undertaking its due diligence on the project application. The scope and level of information will depend on the specifics of each Project

134) Could a CCS Project falling into one technology category, but involving storage locations of more than one type, be eligible for funding under the NER 300 programme?

Yes.

135) What is the distinction between 'capital', 'one-off' and 'up-front' costs to be included within bidders' financial model (Application Form 12)?

- Capital costs are envisaged to include land or equipment and other substantial tangible assets;
- One –off costs are envisaged to include costs that the Project Sponsor pays upfront but are valid for the entire period of the Project, e.g permitting costs;
- Up-front costs are envisaged to include costs that occur during the development and construction of the Project and are completed prior to commencement of operations, e.g. advisor fees or design costs.

136) Is it correct to assume that the owner of the Project will be the Project Sponsor?

The owner of the Project is usually, but not necessarily, also the Project Sponsor. If the Project Sponsor is part of a group where other branches or subsidiaries of that group provide input to the Project as subcontractors, relevant information would have to be included in the Project Proposal.

137) Do operational revenues need to be shown beyond the 5 or 10-year Service Period for RES and CCS projects respectively in Application Form 4?

No, in Application Form 4 the Project Sponsor only needs to provide details for the 5 or 10 year service period for RES and CCS Projects respectively. In Application Form 12 (financing), the Project Sponsor should provide operational cost and revenue details etc, for the lifetime of the Project.

138) Should all costs within bidders' full financial model be structured wholly consistently with those required in Application Form 11 (cost spreadsheet)? With regard to capital expenditure, should bidders use the precise category headings as set out in Application Form 11 (cost spreadsheet)?

To the extent possible, bidders' financial model provided in Application Form 12 should be consistent with the Application Form 11 (cost spreadsheet), as this will facilitate reconciliation between the financial model and the pro-forma provided in Application Form 11. Variations in

the financial model from the pro forma in the cost spreadsheet should be explained in the comments column, and any data required (an audit trail) to enable a reconciliation between this and the financial model should be provided.

- 139) In Application Form 12, it is stated that costs and revenues should be shown in constant and indexed prices. Would it be acceptable to have the functionality within the model to 'switch' between constant and indexed prices rather than showing these concurrently?**

Providing functionality in the financial model to switch between indexed and constant prices would be acceptable.

- 140) What information regarding activities to secure funding for the Project should be provided? Should information regarding past activities as well as planned future activities be included, and should this include both successful and unsuccessful activities?**

The information provided should be sufficient for the EIB to come to an informed view in undertaking its due diligence assessment on the Project application. The detail, scope and level of information will depend on the specifics of each Project.

- 141) What amortization period should be used to depreciate the Project's assets in the financial model?**

It is up to the Project Sponsor to determine the amortization period as further specified in Application Form 12. Common sense in the energy sector suggests that a RES project would have economically (not financially) have a lifetime of 15 years, whilst a CCS project is assumed to have an economic lifetime of 20 years. These periods could be used as a proxy for the depreciation period in the financial models.

- 142) What financial data should be provided in the Application Form, if the legal status of the Project Sponsor has changed over the last 3 years (e.g. due to a consolidation in the form of a merger)?**

The information provided should be sufficient for the EIB to come to an informed view in undertaking its due diligence on the project application. This should include the details of the "heritage" or original entities involved prior to a merger, so that a Project Sponsor can demonstrate the credibility of the organisations involved.

- 143) How should the terms "service period" and "total duration of project" in Application Form 12 be understood?**

The total duration of the Project covers the construction period, the service period and beyond. The service period for a Project is the 5 year period from entry into operation for RES Projects, and the 10 year period from entry into operation for CCS Projects.

- 144) What is the scope of Para 140, point 5 of the Call regarding non-collusion?**

Pursuant to para 140, point 5 of the Call, the Commission may disqualify a Project Sponsor who communicates to any person other than the Commission and the relevant Member State(s) the amount or approximate amount of its proposed application for funding, unless such disclosure is made in confidence in order to obtain quotations necessary for the

preparation of the application for funding. Project Sponsors may disclose such information without restriction after the funding applications have been finalised and submitted to the EIB.

145) Are Projects excluded from the NER 300 process where there is a Member State commitment to fund relevant costs of those Projects in case they are not awarded any NER 300 funding?

No. Such conditional funding commitment would have no impact on either the eligibility or the consideration of the relevant Project in the NER 300 process.