

Call for proposals to aid economic recovery by granting Community financial assistance to projects in the field of energy

Carbon Capture and Storage (CCS) projects

Frequently Asked Questions

Question 1

a) Please confirm that in paragraph 11.3 the expressions "*installed capacity*" or "*electrical output*" refer to "actual net electrical output without CCS"

b) Under paragraph 11.3.1.1 item (b) states:

"in power installations, CO₂ capture has to be demonstrated on an installation of at least 250 MW electrical output or equivalent (the full amount of the flue gas emitted by this installation has to be treated by the capture installation)".

Does this mean that the full amount of flue gas corresponding to 250 MWe has to be treated, irrespective of the size of the power unit, which in fact could be much larger?

Let's consider an example. A high efficiency 660 MWe coal fired USC unit emits about 1.800.000 Ncm of flue gas per hour. Treating 40% of this flue gas, that is 720.000 Ncm/hour, which corresponds to 264 MWe, would satisfy the condition?

Answer to Question 1

a) It can be confirmed that in chapter 11.3 of the call for proposals the expressions "installed capacity" or "electrical output" refer to (actual net) electrical output without CCS.

b) It can be confirmed that the full amount of flue gas corresponding to 250 MWe has to be treated, irrespective of the size of the power unit that could indeed be larger. Your example seems to satisfy this condition. In any case, a capture rate of 80% of CO₂ from the treated flue gas has to be reached.

Question 2

In the call for proposal Section 3 CCS, paragraph 11.3.1.2 is reported that the eligible applicants could be one or several undertakings, acting jointly.

a) What does it mean "jointly"? (what kind of legal link is required among different undertaking ? If required). What kind of rules are used to regulate the jointly action? (are the rules the same of the FP7 programme ? i.e. use of Consortium Agreement ?)

b) What kind of regulation is applied if the proposal is presented by a single undertaking and later during its realization this subject change (i.e. for splitting in two companies or addition of a new company, etc.). Does an official European Regulation exist on this legal matters?

Answer to Question 2

a) The roles of the beneficiaries (including co-beneficiaries) are laid out in ARTICLE I.3 of the Grant Agreement Model. A legal link between beneficiaries is not required. The beneficiaries are deemed to have concluded an internal co-operation agreement (e.g. consortium agreement).

b) In case a company splits into two, the legal successor of the former beneficiary will become beneficiary. The coordinator of the project should inform on time the Commission services in order to proceed with the necessary amendments to the contract. An addition of a new beneficiary is not foreseen. However, exceptionally, the Commission may authorise the inclusion should all the necessary technical and financial guarantees are presented and it is absolutely necessary for the aims of the project.

Question 3

Further to the call for proposals of the EEPR we have a specific question related to the definition of 'Project' versus 'Location' in the case of CCS.

In 11.1.1.1 it is mentioned that proposals shall be eligible for EEPR assistance only if they implement the projects listed in Annex A of the EEPR regulation. However part C (for CCS projects) of Annex A lists geographical locations rather than projects in the first two columns. Did the regulation take into account that one or more of the individual geographical locations mentioned in part C of the Annex consist of more than one possible CCS project (although not explicitly mentioned as such), be it linked to different or similar generation technologies (column 5) or different or similar power plant sizes (column 4).

Can therefore any CCS project as long as it is located at the locations mentioned in the Annex apply for EEPR assistance as long as the proposal does not exceed the maximum amount of EEPR assistance laid down and fulfills the selection and award criteria as detailed under the specific CCS programme of the EEPR regulation?

Answer to question 3

Proposals need to implement one of the projects listed in annex C of the draft EEPR Regulation. These projects are defined by the following criteria: Location, fuel, minimum plant capacity, capture technique and storage concept. If a proposal aims at implementing a project that does not fulfil all of the specified criteria for one of the listed projects it is not implementing a project listed in annex C of the draft EEPR Regulation.

The European Commission will assess the eligibility of each proposal once it will have been submitted. All proposal that are being declared as eligible by the European Commission will be evaluated on equal terms when selection and award criteria are being assessed.

However, at this stage the European Commission is not able to fully assess the eligibility of a proposal for hypothetical cases without having full access to all relevant information.

Question 4

With regard to the information requested under Annex 1 item 2.3.2. Can you confirm that this information includes those companies already named as part of the Applicant's consortium for the grant application?

Answer to question 4

Annex 1 item 2.3.2 refers to third parties only. It does not refer to beneficiaries (members/partners in a consortium). In case a consortium submits a proposal, each beneficiary has to fill in the "information on the applicant" as well as the "financial viability of the applicant" in the core body of the grant application and sign the "declaration by the applicant". All beneficiaries have to also submit supporting documents as requested in annex 3.

Question 5

- a) Where can we find our 'reference number of the call for proposals'?
- b) Confirm how, when and where the request for funds to be considered eligible from the application date (July 15th) should be made? And confirm when this eligibility will be confirmed (at time of application submission or at notification of successful application or other time)?
- c) Section 4 of the Grant application form, sources of external funding. Please confirm that the funds confirmation required here, is in relation to the action and work programme proposed to be completed by December 31st 2010?

Answer to Question 5

- a) No reference number for the call is given; therefore, the OJ publication reference number: 2009/C 114/05 should be used.
- b) The request should be made in section 3 of annex 5 to the application forms. The eligibility of costs incurred from the submission of the grant application onwards is an exception to the rule (ref. Article 6.2, indent 2 of the Call) and will be confirmed at the end of the negotiation. The grant agreement will finally establish the eligibility of the costs.
- c) The fund confirmation required in section 4 of the grant application form is in relation to the action proposed to be funded under the EEPR. The lifetime of the action under the EEPR is not necessarily limited to December 31st 2010 but will be specified in Article I.2.2 of the Grant Agreement Model. See also answers to question 12.

Question 6

Shall the proposed EEPR Work Packages, Deliverables and Milestones address mainly the initial phases of the full Demo-Project?

Answer to question 6

The proposed EEPR Work-Packages, Deliverables, Milestones shall consider and outline the full demonstration project, including the base power plant, capture, transport and storage

development. More detail is requested for the initial stage of the project for which the funding is requested.

Question 7

EEPR duration: Among the GA Duration article (1.2.2), please confirm that all the EEPR eligible cost incurred from the date of the official publication of the Regulation in the Journal (as per articles 23.2, and 29 of the Draft Regulation).

Answer to question 7

See Chapter 6.2 of the call for proposals: "Only cost incurred after the signature by both parties of the grant agreement or the notification of the individual commission decision will be eligible. Exceptionally, under the specific request of the applicant(s), costs incurred, at the earliest from the date of the submission of the grant application, could be considered as eligible if duly justified in the proposal and accepted by the Evaluation committee."

Question 8

MS R&D programmes + FP7 + EEPR: Please confirm that the Member State R&D, FP7 and the EEPR programs are compatible, assuming that no concurrent eligible costs are requested.

Answer to question 8

In principle, cumulating national funds with EEPR funds is possible. However, accumulated funding can not exceed 100% of the eligible project costs and national funds have to be notified to the European Commission for state aid clearance. Cumulating EEPR with other European funding, such as FP7, for the same action implementing the same (part of the) project is not allowed. Dividing the complete CCS project (as listed in the Annex C to the EEPR) into phases or in clearly dedicated sub-projects (Capture / Transport / Storage) can possibly avoid the problem of cumulating funds. In any case, decisions can only be made by the European Commission when all details are known.

Question 9

Selection criteria: Regarding the Selection Criteria of the Call for Proposals (11.3.3.1.b), please inform about criteria to consider expenditure as substantial, and if this applies to total costs, eligible costs or requested funding.

Answer to question 9

Substantial investment relates expenditures refer to the eligible costs under the EEPR. There is no fixed amount as to when expenditures can be regarded as being substantial. Instead, the term substantial refers always to the specific case and needs to be seen in relation to the total project cost.

Question 10

CO2 abated calculation procedure: Please indicate the CO2 abated calculation procedure, and boundary conditions, for the 5 initial years of demo period (Call for proposals 11.3.3.2.)

Answer to question 10

The calculation has to be based on the information specifically requested in annex 5 (chapter 1.1) of the application forms:

- Investment costs for all CCS related technologies
- Operation/Maintenance Costs for all parts of the CCS chain (this includes the efficiency penalty of the Co2 capture technology)
- Amount of CO2 captured in the first 5 years of operation (possibly considering a lower capture rate at the beginning of the CCS operation)
- Depreciation period of all equipment: 20 years

Question 11

Proposal Technical Annex: Please give an indication of the required extension on the 2, 3 and 4 items of the Technical Annex V.

Answer to question 11

No length for items 2, 3 and 4 is defined. Proposers are nevertheless asked to submit a focused proposal that gives sufficient detail to assess the project. As a reference value a recommended length of approx. 30-40 pages for annex 5 of the application forms is given.

Question 12

Concerning article 11.3.3.1 b) of the call for proposal in connection with article 2 e) and article 19.1 b) of the draft regulation:

- a) What is the difference between the investment stage (term used in article 19.1 b) of the draft regulation and article 11.3.3.1 of the call for proposals) and investment phase (term defined in article 2 e) of the draft regulation)?
- b) Which costs belong to the “investment-related” expenditures? Could you please give examples?
- c) In order to determine eligibility: Have costs to be incurred or is it sufficient to have the eligible assets or activities contracted until December 31, 2010?
- d) During which time period may eligible costs incur and be funded? Are costs eligible incurred after December 31, 2010?
- e) Is there a deadline for claiming eligible costs?

Answer to question 12

- a) The investment phase concerns the phase of the project construction where capital costs are incurred. The investment stage means that the Project has reached sufficient maturity to incur substantial capital expenditure by ordering and purchasing raw material (cables, pipelines, compression stations, etc), contracting civil engineering works and realising technical studies necessary to implement the project.
- b) Costs related to the investment into CCS equipment and infrastructure can be considered as "investment related". This can include for example the FEED study but primarily the purchase of durable assets.
- c) Costs incurred are costs for which the obligation to pay has become unconditional, that is when a valid legal commitment exists. Therefore, orders placed or activities contracted by the end of 2010 can be considered as investment related expenditures in 2010. However, in order that the costs are eligible, payments related to these orders have to be made during the project lifetime as specified in Article I.2.2 of the Grant Agreement Model.
- d) In principle, all costs related to the action that incurred during the project lifetime are eligible. Project lifetime can be a maximum of 5 years (or until 2015 as mentioned in chapter 11.3.3.2 (d) of the call for proposals. However, substantial investment related expenditures have to be incurred by the end of 2010. See also the answer to question 12 c).
- e) The final technical implementation report and financial statement have to be submitted to the Commission within 3 months following the closing date of the action specified in Article I.2.2 of the Grant Agreement Model (see article I.6 of the Grant Agreement Model).

Question 13

Concerning grant agreement, art. II.14.2:

- a) As regards costs for durable equipment: As understood today, only depreciation undertaken during the funding project's duration is fundable. May you confirm that?
- b) In contrast, regarding other cost categories, e.g. costs for consumables, are these costs completely fundable?

Answer to question 13

- a) By way of derogation to the general conditions, the purchase cost of equipment is eligible provided that it satisfies the criteria set out in the General Conditions regarding direct costs, is actually incurred during the lifetime of the action and entered in the accounting records of the beneficiary in accordance with the tax and accounting rules applicable to the beneficiary. Only the portion of the equipment's purchase cost that is actually paid by the beneficiary within the duration of the action will be taken into account and considered as eligible cost by the Commission provided that the equipment is of actual use for the purposes of the action.
- b) All costs that are eligible can be claimed and are fundable within the limits set out in the EEPR regulation and the Grant Agreement Model.

Question 14

Funding conditions, concerning article 20 of the draft regulation

- a) Which income is subsumed under the term operating benefits? Are operating benefits to be calculated as project financing? If yes, for which period must the benefits be calculated (until December 31, 2010, December 31, 2015 or beyond)?
- b) Which costs belong to “project related expenditures” with regard to the division between “base power installation” and “capture technology”? EERP-funding refers to additional expenditures for CO₂-capture, transport and storage in comparison to the base power installation without CCS. A separable base power installation does not exist in regard to some CO₂-capture technologies, because the installation with CO₂-capture is an integrated overall process (e.g. Oxyfuel respectively IGCC with CCS) and almost every plant component is adjusted and only realized for CO₂-capture. In these cases it is impossible to describe a base power installation without CCS (according to chapter 1.1.1 of the Technical Description) as well as to evaluate the costs.

Answer to question 14

- a) It is expected that the applicant makes an estimation of the project cost and operation benefits for the full lifetime of the CCS demonstration. This does not include cost and benefits from the power generation unit but shall be limited to the CCS part of the project. Operating benefits would include the costs for emission certificates that do not need to be purchased and possibly income generated from providing access to the transport and storage infrastructure to third parties.
- b) Eligible costs under the EEPR are only those costs that are clearly attributable to the additional costs for CCS. Any costs for parts of the power generating unit of a power plant equipped with CO₂ capture technologies are not eligible, unless those costs would not incur in a plant that is not equipped with capture technologies. Proposers have to clearly describe what the CCS project (within the overall CCS power plant installation) comprises and which CCS investments are planned.

In principle, the following rules are applied for IGCC and Oxyfuel projects:

- Pieces of equipment which are the same in the plant with and without CCS: costs are not eligible.
- Pieces of equipment that exist only in the CCS plant: costs are fully eligible.
- Pieces of equipment which are different in the plant with and without CCS (same type of plant): only the cost difference is eligible.

Question 15

Which is the max. permissible funding quota for the overall project having in mind that certain parts/phases of the project are funded with a higher funding quota than others? In order to finance the overall project further funding is required. Against this background the requirements for cumulating different funding instruments are of interest.

Answer to question 15

The EEPR does not set any limits for funding from other sources (apart from the general rule that accumulated funding can not exceed 100% of the eligible project costs). However, other funding instruments may set maximum funding limits. See also answer to question 8.

Question 16

Costs of staff, Concerning Article II.14.2 of the financial provisions. Do the Financial Provisions allow applicants to calculate and claim their personnel costs based on tariffs determined for wage groups (based on actual costs)?

Answer to question 16

According to Article II.14.2 of the grant agreement eligible is "the cost of staff assigned to the action, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, provided that this does not exceed the average rates corresponding to the beneficiary's usual policy on remuneration";

Question 17

Article II.14.2 says "the cost of staff assigned to the action (...) provided that this does not exceed the average rates corresponding to the beneficiary's usual policy on remuneration".
For assurance: This phrase points out that personnel costs can only be claimed if they are comparable to costs for personnel which is not working on funding projects. Can you confirm that?

Answer to question 17

Personnel costs cannot be higher than the costs for personnel which are not working on the funded projects.

Question 18

Can you please confirm that funds granted under the EU Recovery plan can be combined with funding under Article 10(a)(8) of the EU ETS (CCS and renewable energy demonstration projects) ? If such is the case, we understand that the Recovery Plan funding can not exceed 80% of the action for which funding is asked but this action can be part of a larger project which is submitted for Article 10(a)(8) EU ETS funding which, on its turn, can not exceed 50% of the complete project. Is this correct?

Answer to Question 18

As provided for by the EEPR Regulation, Community financial assistance under the EEPR shall not exceed 80% of the eligible cost of the action and are limited to the maximum funding specified in annex C to the draft EEPR regulation. ETS financing shall not be regarded as being Community financing because ETS certificates from the New Entry Reserve are considered as owned by Member States. Thus cumulating funds from the EEPR and the ETS financing could in principle be possible. However, the details for funding under the EU ETS have not yet been decided upon.

Question 19

a) Our proposal will be presented by two companies. In the proposal the commitment of the main beneficiary will be finalized to the coordination and to some expenses of minor size, while the commitment of the co-beneficiary will be finalized to the larger amount of costs. The formulation of the proposal based on the above assumptions is correct?

b) Is it mandatory to open a dedicated bank account for the EC payment ?

c) we make reference to the Grant Agreement - Article I.11 "Special Conditions"

In the article I.11.3 it is stated that the Article II.14.3 is not applicable. The Article II.14.3 stated that the indirect costs incurred in carrying out the action may be eligible for a flat rate funding fixed at no more than 7% of the total eligible direct costs. What does it mean that this article is not applicable?

Answer to Question 19

a) A proposal can be submitted by two undertakings acting jointly. The coordinator does not need to have a larger budget than the co-beneficiaries.

b) The account to be used for the action for which a grant is being requested must allow payments made by the Commission to be identified. This does not necessarily mean that a new bank account for this action has to be opened but it is advisable that the bank account is only used for the payments made by the Commission in relation to the EEPR action. When deciding on the appropriate bank account, please also be aware of the possibility for interest to be generated, which will have to be returned to the Commission under Article I.7.2 of the Grant Agreement Model, which says: "This account or sub-account must identify the payments made by the Commission. If the funds paid to this account yield interest or equivalent benefits under the law of the State on whose territory the account is opened, such

interest or benefits shall, if they are generated by pre-financing payments, be recovered by the Commission as specified in Article II.16.4".

c) Indirect costs are not eligible for actions related to CCS under the EEPR. Only direct costs are eligible.

Question 20

a) A paragraph is missing in the grant application form: In the contents of Appendix 5 - Technical description, there is reference to a paragraph '1.2.4: Work package list and overview'. This paragraph is missing in the description of the individual paragraphs; 1.2.4 refers to 'Deliverables list' (1.2.5 in the contents). Please produce the missing paragraph.

b) Please provide clarification as to what is to be classified as 'generic' knowledge in the 'Call for Proposal' Document – Section 11.3.1 (C).

c) Can you clarify that it is allowed not to name potential suppliers of plant when giving the data requested in the application form for capture technology. We may prefer to give ranges (based on information from one or more potential suppliers as well as our own R&D information).

d) In the Information Day on 3rd June, it was stated in the CCS workshop that funding could be used for a pilot plant that was not operated on the eligible site for the demo plant (as long as the pilot plant could be justified as part of the project development of the demo plant). Can you confirm this in writing, and clarify whether there are limits on the location of the pilot plant (i.e. in the MS where the demo plant is located; in the EU, etc.)?

e) Please also confirm in writing that the capture part of the project need only be operated on a part of a larger power plant (with the captured part being a minimum of 250MW when measured without the use of the CCS plant).

Answers to question 20

a) There is indeed a mismatch in annex 5 between the table of content and the detailed description of the chapters. Chapter 1.2.4 "work package list and overview" is not needed as a separate chapter. However, a general description of the workplan is requested in chapter 1.2.1 and a detailed description of the workpackages is requested in chapter 1.2.5.

b) The kind of knowledge that has to be shared will mainly concern cost and performance data, in principle in aggregated form, which can be shared through the Project Network. Further details and formats to be used will be specified in due course. Projects will not be required to share commercially sensitive information. In any case, article II.3 of the Grant Agreement Model sets the limits with respect to knowledge sharing.

c) The name of the supplier does not need to be specified at the proposal stage.

d) Proposals have to implement projects listed in part C of the annex of the EEPR regulation. The annex refers to full scale demonstration projects, where capture of CO₂ is demonstrated on an installation of at least 250MW electrical output (see eligibility criteria under chapter

11.3.1 of the call for proposals). A limited part of the costs for the pilot installation could be eligible only if the pilot installation is integral and indispensable part of the demonstration project development. The pilot plant does not necessarily have to be located at the site of the demonstration plant. However, it has to be located in the same Member State as the demonstration plant. In any case, the costs for the pilot installation can only cover a minor share of the total eligible costs.

e) The capture equipment has to be installed on (and fully cover) an installation that has at least 250 MW electrical output (without CCS technologies installed). The capacity in annex part C of the draft EEPB regulation refers to the overall capacity of the power plant.

Question 21

a) Will you be able to clarify the expression in the context of the application form which are: action, work programme, whole project in order to avoid misunderstanding?

b) The question concerns the Annex 5 of the grant application form point 2.2 which states the obligation to „provide also a detailed CV of the coordinator and of the main responsible Project Managers who will be undertaking the work for each beneficiaries”- could you please mark exactly if the need to handle you with the cv of the Executor and/or to the Contractor.

c) Could you please precise in the section deliverables list what work package reference number is in order to prepare it correct.

d) In the application form we have detail and planned cost. Does it mean that beneficiary should prepare the budget for the whole CCS Project and planned expenditures connected with the future agreement arrangement? We presume that it is associated with the major contract planned to be signed until 2010 and schedule expenditures to be spend until 2015.

e) Is it possible to include to the eligible cost the expenditures resulting from integration into the generation unit the capture plant to be built in the option of “post combustion”?

f) Could you please clarify how the grant for the CCS Project will be allocated and how often? Please specify how the financial mechanism of the grant will look like?

Answers to Question 21

a) In the application form (chapter 2.1, 2.2 and 4) action and work-programme are used as synonyms. In principle, action (or the CCS part of the project) refers to the part of the (total) project listed in annex C of the draft EEPB regulation that is implementing the CCS technologies. Only costs related to the action can be considered eligible. Depending on the context, “full (CCS demonstration) project” can also include other non eligible parts, such as the base power plant and the operation.

b) The CVs are requested for the responsible managers of the beneficiaries. CVs from managers of (potential) subcontractors are not requested.

c) All workpackages need to be numbered. The work package reference number is the number of the work package.

d) Different costs have to be stated in the application forms.

- In chapter 3.1 of annex 5 of the application form, the full investment costs for the CCS demonstration project (including investment costs for the industrial installation/base power plant) need to be stated;
- In chapter 3.2 only those eligible costs of the action that will have been incurred by the end of 2010 have to be stated;
- In chapter 3.3 a comprehensive business or financing plan has to be presented that includes the full investment and operation costs (and benefits) for the CCS (part of the) plant. This financing plan does not need to include costs for the base plant and operating benefits from selling electricity;
- In annex 2 of the application form all related costs to the action need to be stated. This only includes eligible costs that are expected to be incurred during the project lifetime.

e) Eligible costs under the EEPR are only those costs that are clearly attributable to the additional costs for CCS. Any costs for parts of the power generating unit of a power plant equipped with CO₂ capture technologies are not eligible, unless those costs would not be incurred in a power generating unit of a same type of plant that is not equipped with capture technologies. In principle, integration cost of CCS could be an eligible cost as long as it can be demonstrated that these costs are not incurred in a plant of the same type that is not equipped with capture technologies.

f) The payment modalities are outlined in article I.5 and II.15 of the Grant Agreement Model. The specific dates for requests for interim payments will be agreed during negotiation.

Question 22

- a) In delivery of planning consents for CO₂ CCS infrastructure the securing of wayleave and easement rights will be required. Are these an eligible cost?
- b) If a project includes storage which involves the re-use of offshore oil and gas infrastructure by a new owner, is the acquisition cost of that infrastructure an eligible cost?
- c) The applicant can request for committed eligible costs to be considered from the date of submission, can these costs include those contractual obligations currently outstanding against engineering and design work if these are still underway?

Answer to question 22

a and b) Eligibility of costs can only be assessed on a case-by-case basis once all details are known. In general, investment related costs for any part of the CCS chain can be eligible as long as the requirements laid down in art II.14 of the Grant Agreement Model are met. If this is the case this could in principle include acquisition costs for infrastructure and costs for securing permits. Costs for the acquisition of land are however not eligible.

c) For costs to be considered eligible, they should be incurred after the signature of the grant agreement and only by exception, if duly justified, before that, however, not earlier than the date of submission of the grant application. Costs are considered incurred on the date when they have been committed with the legal obligation to pay. From this point of view,

outstanding contractual obligations from commitments made before the project start date (exceptionally, before the submission of the grant application), even if actually paid during the duration of the action, are therefore not eligible.

Question 23

Could you provide more details about risk assessment requirement in the application form?

- What level of detail is expected from the risk assessment in the proposal?
- A contingency plan is also requested. Is this plan simply a list of mitigation actions related to each identified "most significant technical and financial risks"? Or is it a complete Risk Management Strategy for the whole lifetime of the project?

Answer to question 23

Proposers are requested to "identify the most significant technical and financial risks" related to the investment phase of the project. The contingency plan shall describe the planned mitigation actions to be taken for each of the identified risks. Together with the management and workplan the risk management plan need to provide evidence that all components of the proposal will be in place and that the project will be fully operational by the end of 2015.

Question 24

1) What kind of documentation is required from the "Applicant's memorandum and articles of association, instrument of incorporation or equivalent" (Annex 3 of the GAF)?

Answer to question 24

1) The Articles of Association of a company (respectively, the Memorandum of Association or any other equivalent instrument of incorporation) are the regulations governing the relationships between the shareholders and the directors of the company, and between the company and the outside world. This is the founding document of a company, its "constitution" and it is a requirement for the establishment of a company in many countries. Articles of association typically cover the issuing of shares, the different voting and dividend rights attached to different classes of share, restrictions on the transfer of shares, the rules of board meetings and shareholder meetings, and other similar issues.

Question 25

Part b of the four award criteria for CCS covers the requested funding per tonne of CO₂ to be abated in the first five years of operation. We require clarity on how this is to be calculated as currently it could be calculated in various different ways which could affect potential scoring of projects markedly:

If the Commission want a cost figure for CO₂ abatement then a reference case is required to calculate the relative difference in cost to abate the CO₂ compared to an unabated plant. It would seem sensible if the Commission specified the reference case to ensure transparency and fairness in all applications.

Answer to question 25

The requirement is indeed to provide a calculation for costs per (metric) ton of CO₂ abated for the first 5 years of operation. CO₂ abated is defined as the difference in emissions between two plants, a CCS-equipped one and a conventional one with the same net electricity output.

Accordingly, the amount of CO₂ abated by a CCS-equipped plant could be calculated as:

- amount that would be produced by that installation if running without CCS and producing over the five-year period an amount of electricity, MINUS
- amount of CO₂ that will still be emitted by the installation when using CCS and producing over the five-year period that same amount of electricity.

The reference case for each individual project is the base power plant without CCS installation. As each CCS plant is compared with the figures for the same plant but without CCS operation, no universal reference plant is required for calculating the costs per ton of CO₂ abated.

Question 26

In order to properly complete the application form we have to include supplier information in our application. How is it ensured that this information will be kept confidential?

Answer to question 26

According to art 4 of regulation no 1049/2001, the Commission has the right to refuse access to documents that contain commercially relevant data. Therefore, the confidentiality clause (art 4 of the grant agreement model) can equally be applied to proposals.

Question 27

The level of confidentiality of the deliverables (Annex 5 - 1.2.4 of the Grant Application Form) is not defined. Would it be acceptable to use two levels: Public (PU) and Confidential (CO - only for the member of the Consortium - including the Commission Services)?

Answer to question 27

There are no specific requirements concerning the confidentiality level of deliverables.

Question 28

Is a project still eligible, if the applicant adds coequal an alternative storage option in order to reduce the risk of delaying the overall project time line (be operational in 2015) due to technical or permitting problems (e.g. beside one option in the category oil/gas fields an additional option in the category saline aquifer)? Are the costs for the exploration and the feed phase eligible for both investigated storage options (the one addresses the list in Annex C and the other one that has not been addressed)?

Answer to question 28

Actions have to implement projects listed in annex C of the draft EEP regulation. They also have to implement the storage concept as described in annex C. However, it is acceptable if in addition also alternative storage options will be investigated during the project (see footnote 27 in annex 5 of the application forms), as long as the proportions of volumes stored through the various options do not demonstrably change the focus of the project's storage away from the concept described in annex C. In principle the referred associated costs can be eligible if they are in line with art II.14 of the grant agreement model.

Question 29

Concerning the Grant Agreement (template provided), art. I.4.2 , the second paragraph states that “indirect costs are eligible for flat-rate funding a max. of 7% of the total direct costs eligible, subject to the conditions laid down in art. II.14.3”. However in the Special Conditions, art. I.11 states that art. II.14.3 is not applicable. In this respect, it is not clear if the second paragraph of art II.14.3 in which is mentioned the derogation from art. II.14.1 is applicable or not.

In case that this is applicable, then the indirect costs incurred in carrying out the action may be eligible for flat-rate funding fixed at not more than 7% of the total eligible direct costs. If this is correct, then how to include these costs in the Grant Application Form, Annex 2B (Budget-Multiple Beneficiaries)?

Answer to question 29

Art II.14.3 of the grant agreement model is not applicable. Therefore, indirect costs are not eligible costs.

Question 30

- a) Is section 1.3 of the application form required for completion by Co-beneficiaries, given that it will be the applicant that will sign grant agreement?
- b) In Section 2.1 of the application 'Summary of expected results and their use. Is this for the full completed CCS project or the action/work packages identified under the application?
- c) In Section 2.1 for the accounts information. Where 'Special Purpose vehicles' (SPV) have been used as the legal entity for the development work is the accounts information for the SPV requested or is it more appropriate to provide the parent company accounts with a letter confirming that it guarantees the actions of the SPV?
- d) Section 5, the applicant declaration. Is a single declaration requested for the full value of the grant application, which would be signed by all consortium members, or do you wish to see separate consortium declarations, each with their defined cost element identified?
- e) Can you please confirm how many copies of the application should be submitted
- f) In the operating expenditure information should plant/well decommissioning provisions being accounted for? In the 'storage operating costs' should provisions for legacy liability up to point of state repatriation being accounted for?

Answer to question 30

- a) all beneficiaries that implement a project jointly have to fill in and sign section 1.3 of the application form. This does not apply to subcontractors but only to beneficiaries.
- b) In section 2.1 only a summary of the expected results for the action identified under the application is requested
- c) The financial viability will be examined on the basis of the financial data (financial accounts) relevant to the applicant(s)/(beneficiary(ies) of the grant. The purpose of this information is to show that the applicant has stable and sufficient sources of funding to continue operating throughout the period during which the action is being carried out or the year for which the grant is awarded and to participate in its funding (Ref. Section 2.1 of the grant application form). The parent company accounts could be provided in so far as the applicant considers them a factor demonstrating its financial viability. In this case, a commitment letter from the parent company needs to be provided.
- d) The declaration is for the full value of the grant requested by the applicant that has submitted a proposal. In case the proposal is submitted by a consortium, each beneficiary has to sign a declaration by the applicant (i.e. the same declaration) (Ref. footnote 7, grant application form).
- e) Only the original application, duly signed, needs to be submitted
- f) Operating expenditures incurring after the end of the action are not eligible costs. For the estimation of operating costs in chapter 3.3 of annex 5 of the application form the applicant is expected to include all operating costs for the lifetime of the CCS demonstration project.

Question 31

Are there guidelines for EEPR financing of projects crossing sea straits or located in open seas?

Reply to question 31

An action to implement a project or part of a project listed in Annex A of the draft EEPR Regulation that involves crossing sea straits or, more generally, maritime zones within and beyond the territorial waters of an EC Member State is eligible for EEPR financial assistance, where the action:

- implements a project or part of a project lying in the territorial waters of an EC Member State concerned (i.e. not in the territorial waters of a third country);
- implements a project or part of a project lying in the Exclusive Economic Zone (EEZ) or on the Continental shelf of an EC Member State (i.e. not in the EEZ or on the Continental shelf of a third country);
- implements a project or part of a project lying in the high seas that is the continuation of gas or electricity infrastructures between two or more EC Member States, destined to connect these Member States (gas and electricity infrastructures are defined in article 2 of the draft EEPR Regulation, e.g. gas pipelines or submarine electricity lines).

Question 32

In the context of the EEPR financing, what are the guidelines for the eligibility of costs incurred in third countries or costs incurred by non-EU entities inside the EU territory?

UPDATED

Reply to question 32

Costs incurred in third countries may not be considered eligible for Community financing under the EEPR Regulation.

Costs incurred by non-EU entities inside the EU territory may be considered eligible, where the proposed action:

- clearly serves the specific objective of security of energy supply
- is indispensable for the implementation of the project, notably where only the non-EU entity possess the technical know-how and the relevant technology
- the Member State or Member States in which the project is located explicitly agree - in the case of gas and electricity infrastructures (Article 7 of the draft EEPR Regulation)
- the Member State or Member States are in a position to ensure the technical monitoring and financial control of the project - in the case of gas and electricity infrastructures (Article 11 of the draft EEPR Regulation)

These conditions are cumulative.

Question 33

a) It is clear that the intention of the EEPR is to compliment funding from other sources (i.e. EU Flagship funding, MS funding and own investment). However, it is also clear that the granting of these other funding sources are not likely to follow the same timeline as the EEPR funding, and will not be awarded before the grant agreement for the EEPR needs to be signed. It is therefore a clear project risk that if EEPR funding is awarded but other funding sources are not, or are delayed, then the project may become untenable and have to be cancelled. Please clarify that these circumstances would be taken as 'force majeure' with respect to awarded EEPR funding, and there would be no risk that project expenditure using EEPR funding would have to be paid back to the EC.

b) Please clarify that if we prefer to subcontract a partner to handle storage of CO₂, rather than project develop this aspect ourselves, then this is still an eligible cost for EEPR funding.

Answer to question 33

a) The grant for the action is awarded under the terms and conditions set out in the grant agreement model and its annexes. The grant agreement only covers the action as defined in annex 5 of the application form (that will become an annex to the grant agreement). The action may only partly implement a project listed in the Annex, Part C to the draft EEPR Regulation. Financial penalties (art II.12 of the grant agreement model) can only be imposed when one or several beneficiaries are in breach of their obligation, e.g. in cases when the action is not implemented as described in the annexes to the grant agreement. The rules for recoveries are laid out in art II.19 of the model grant agreement. Circumstances that are considered force majeure are defined in Article II.8 of the grant agreement model. Please note in this regard that financial difficulties are not considered force majeure. Depending on the particular situation, possible effect of financial difficulties substantially affecting the grant agreement could be the termination of the agreement under Article II.11.3 thereof.

b) In principle, subcontracting is possible for all technical parts of the action as long as they are in line with the rules under art II.9 of the model grant agreement.

Question 34

According to article I.5 and II.15.1 of the model grant agreement, the coordinator can be asked to furnish a financial guarantee form a bank of an amount equivalent to the amount of the pre-financing. Will such a guarantee be required for CCS projects? Is the cost of the guarantee an eligible cost?

Answer to question 34

The need to provide a financial guarantee will be agreed during negotiation and it will depend on the percentage of the pre-financing agreed. For eligibility of costs, please refer to art II.14 of the grant agreement model.

Question 35

In case a CCS-project will be executed by two companies which are preparing the establishment of a Joint Venture. However this joint venture will not be established by the date of submission and therefore a special purpose vehicle will be established and act as the applicant. Is it possible that once the Joint Venture is established it will become the beneficiary if it is legally connected to the special purpose vehicle?

Answer to question 35

An addition of a new beneficiary or the replacement of a beneficiary is not foreseen. However, exceptionally, the Commission may authorise the inclusion and or replacement in case all the necessary technical and financial guarantees are presented and it is absolutely necessary for the aims of the project or if the new beneficiary is the legal successor of the old beneficiary.

Question 36

a) What is a third party? What is the difference between subcontractors, third parties and beneficiaries?

Answer to question 36

a) Beneficiaries are those undertakings that implement the action and that sign the grant agreement. As a general rule, third parties are any parties involved in the implementation of the action other than the signatories (parties) of the grant agreement. Subcontractors are third parties who execute only a limited part of the action for the beneficiaries but they are not a party to the grant agreement. Subcontractors are only responsible towards the beneficiary. The beneficiary retains full responsibility for carrying out the action (including the work subcontracted) towards the Commission under the terms and conditions of the grant agreement.

Question 37

a) The answer to question 14 of the FAQ list for CCS projects says: "It is expected that the applicant makes an estimation of the project cost and operation benefits for the full lifetime of the CCS demonstration." What is the full lifetime of the demonstration? Could you specify this by a number of years? I assume this is not the same as the duration of the project (maximum 5 years)?

b) Suppose a CCS-project will be executed by two companies which are preparing the establishment of a special purpose vehicle (SPV) as a limited liability private company (50/50 division of shares). Is it right that in this specific situation:

- The SPV may act as the applicant? If so, does that SPV needs an own bank account or is it possible that an bank account of one of the two companies is used?
- The two companies must be seen as the beneficiaries and should these companies individually provide the information requested in part 2 of the application form concerning the financial viability?

Answer to question 37

a) The full lifetime of the CCS demonstration covers the full construction and operation phase of the CCS demonstration project. This lifetime is expected to be significantly longer than the action under the EEP.

b) According to art 18.2 of the draft EEP regulation, proposals can only be submitted by one or several undertakings, acting jointly. A special purpose vehicle fulfilling this condition can in principle be an applicant. It is expected that the applicant has established an own bank account (see also answer to question 19 b). The applicant will become the beneficiary in case a grant agreement is signed between the EC and this applicant. In case the applicant is a SPV, those companies holding shares in the SPV will not automatically become beneficiaries (see also answer to question 35)

Question 38

There are a number of costs along the full CCS chain which are unknown at present and subject to regulatory decisions yet to be made by Member State Governments. This will lead to some uncertainty in calculating the cost per ton of CO₂ abated. Is your intention that this calculation should be based on the cost of capture only (as suggested by your answer to question 25)?

Answer to question 38

The calculation of cost per ton of CO₂ abated needs to include all expected costs related to the abatement. This includes costs for capture, transport and storage.

Question 39

a) Does the applicant need to identify only eligible costs for this action, or shall he consider the overall project cost related to the full implementation of the CCS demonstration project as eligible costs?

b) Can costs related to knowledge sharing activities and project dissemination be considered as eligible costs?

Answer to question 39

a) The estimated total cost of the action will be provided in section 2.4 of the grant application form, first bullet point. However, it is only the identified eligible costs that the applicants need to consider when specifying the grant amount. The eligible costs will be those that respect the requirements set out in Article II.14 of the grant agreement model and are attributable to the action as defined in the work-plan in annex 5, chapter 1.2 of the application form.

b) Eligible costs are those defined in Article II.14 of the grant agreement model. Under Article II.14.2, bullet-point 6 of the grant agreement model it is stated that costs arising directly from requirements imposed by the agreement are eligible. Such costs could be: dissemination of information, specific evaluation of the action, audits, translations, reproduction, etc., including also the costs of any financial services (especially the cost of financial guarantees)

Question 40

Depending on the availability of national funding – that will probably be known by the end of 2010 - we would like to be able to reduce our commitment with regard to the expenditures planned for the demonstration project. Will it be possible to reduce the commitment in the negotiation phase?

Answer to question 40

During the negotiation phase no substantial changes to the proposal can be made.

Question 41

In order to fulfill the formal criteria, is it sufficient to hand in the audited and certified (by an approved auditor) annual statements to fulfill the requirements on the external audit report? Or is it required to submit a separate document assessing the applicant's financial viability for the period during which the action will be carried out?

Answer to question 41

External audit report should 1) certify the accounts for the last 2 year(s) for which they have been closed and 2) give an assessment of the applicant's financial viability for the period during which the action or work programme will be carried out (ref. Annex 3 Financial Documents, grant application form). The assessment under 2) above will have to be provided separately if the relevant information for that is not to be found in the audit report.

Question 42

Concerning article II.11.1 of the Grant Agreement in connection with article II.11.5 of the Grant Agreement.

a) Does the Commission regard a termination of the Grant Agreement by the coordinator for the following reasons as being justified?

- technical aspects, which are mentioned in the risk management and contingency plan of 1.2.2 Annex 5 Application Form ,
- financial aspects, which are mentioned in the risk management and contingency plan of 1.2.2 Annex 5 Application Form like lack of adequate funding from other sources than EEPR,
- unreasonable economical losses for the contractor,
- jurisdictional risks, which are mentioned in the risk management and contingency plan of 1.2.2 Annex 5 Application Form like
- non commencement of CO2 transportation and storage legal framework,
- unacceptable requirements in the approval procedure of power plant, pipeline and storage. Keeping in mind that a national CCS legislation and regulation is currently not in force,
- today unknown government regulations regarding CCS.

Does the Commission regard the termination of the Grant Agreement by the coordinator for external reasons (reasons originating in circumstances which are not influenced or controlled by the coordinator or beneficiary) as sufficient reason for termination?

b) Could you give examples of reasons given by the coordinator for the termination of the grant agreement that may not be accepted by the Commission?

Answer to question 42

a) The Commission will decide on a case-by-case basis if a request for the termination of the grant agreement by the coordinator can be accepted. Circumstances that are considered "force majeure" are defined in Article II.8 of the grant agreement model. Please note however that it is only the Commission that can terminate the grant agreement on the basis of "force majeure" circumstances (see Article II.11.3.c), which should be notified on the basis of Article II.8.

b) The Commission will decide on a case-by-case basis if a request for the termination of the grant agreement by the coordinator can be accepted.

Question 43

Concerning article II.11.3, Termination by the Commission.

a) Can the Commission please give examples for substantial errors and irregularities with regard to the EEPER project that could result in the termination of the grant agreement (art II.11.3 h)?

b) Does the Commission regard the non compliance with the timetable for the implementation of the CCS demonstration project as a substantial error or irregularity, if the project can not be implemented in time due to risks which are mentioned in the risk management and contingency plan? Does the same apply if the delay is caused by unforeseeable or unpredictable circumstances beyond the influence of the applicant?

Answer to question 43

a) Article 25 of the draft EEPER Regulation states that: "For the Community actions financed under this Regulation, the notion of irregularity referred to in Article 1(2) of Regulation (EC, Euratom) No 2988/95 shall mean any infringement of a provision of Community law or any breach of a contractual obligation resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Union or budgets managed by it, by an unjustified item of expenditure."

Article 153 of the Implementing rules of the Financial Regulation defines that "A substantial error or irregularity shall be any infringement of a provision of a contract or regulation resulting from an act or an omission which causes or might cause a loss to the Community budget (ref.

b) According to art II.11.3 b) the Commission has the right to terminate the grant agreement if the beneficiary fails to fulfill a substantial obligation incumbent on him under the terms of the agreement, including its annexes. The Commission will decide on a case-by-case basis what is considered substantial obligation (and in particular, if non-compliance with time schedule is considered non-fulfillment of a substantial obligation) depending on the concrete facts and circumstances. For definition of a substantial error or irregularity, see the answer under a) above.

Question 44

The European Commission aid the development of Carbon Capture and Storage Projects in 7 member states. Such grant might be taxable in some MS, if no regulations about the tax burden exist in the grant agreement. Is there a special regulation about the tax exemption for the grant of the program "Carbon Capture and Storage (CCS)"?

Answer to question 44

No specific provisions for the treatment of financing under the EEPR in national tax regimes have been made. Further, please pay attention to Article 23 (3) of the EEPR Regulation with regard to the VAT that it is not an eligible cost under the EEPR financing (except for non-refundable VAT).