

SPECIFICATIONS

To Invitation to Tender DG ENV.C.4/SER/2008/0019

Market-based instruments for reducing air pollution

Lot 1:

Assessment of the possible development of an EU-wide NO_x and SO₂ trading scheme for IPPC installations

Lot 2:

Assessment of Policy Options to reduce Air Pollution from Shipping

These specifications follow the publication of

- **the prior information notice in OJEU 2008/S 058-077557 of 22/03/2008**
- **the contract notice in OJEU 2008/S 91-122816 of 10/05/2008**

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PART 1: TECHNICAL DESCRIPTION

The objectives of the two lots within this open call for tender are to assess the possible use of market based policy instruments to limit emissions of sulphur dioxide and nitrogen oxides to air from land-based (lot 1) and maritime (lot 2) sources.

Tenderers can bid for one or both lots. If tenderers bid for both lots, a complete file must be sent per lot with a clear indication of which lot the bid concerns.

LOT 1: ASSESSMENT OF THE POSSIBLE DEVELOPMENT OF AN EU-WIDE NOX AND SO2 TRADING SCHEME FOR IPPC INSTALLATIONS
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1. Background (LOT 1)

Air pollution causes significant damage to human health and the environment, including the ecosystems. As part of the Commission Clean Air for Europe¹ programme, tools have been developed and used to assess the impact of air pollution as well as the effectiveness, cost and benefits of various policy options to reduce the negative impact. These tools – integrated assessment modelling and cost-benefit analysis - have been applied to design a new air pollution policy of the Community as proposed in the Commission Communication on a Thematic Strategy on Air Pollution². Details of the considerations for the Strategy are provided in the accompanying Impact Assessment³ and other reports referred therein. Cost-effectiveness and cost-benefit analysis are being used to design legislation such as the new Proposal for a Directive on Industrial Emissions and the National Emission Ceilings Directive, which is currently under review.

On 21 December 2007, the Commission adopted a Proposal for a Directive on industrial emissions⁴. This Proposal merges through recast the IPPC Directive and six other existing "sectoral" Directives (including the Large Combustion Plants Directive). The Proposal confirms and even strengthens the principle of the application of the Best Available Techniques by individual installations through the setting of permit conditions. In addition, it introduces new and more stringent sectoral emission limit values for large combustion plants, which apply as a minimum requirement.

¹ CAFE web page is found on <http://europa.eu.int/comm/environment/air/cale/index.htm>

² Communication from the Commission to the Council and the European Parliament "Thematic Strategy on Air Pollution", COM(2005) 0445 final
http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2005/com2005_0446en01.pdf

³ Commission Staff Working Paper SEC(2005) 1133
http://europa.eu.int/comm/environment/air/cale/pdf/ia_report_en050921_final.pdf

⁴ Proposal for a Directive of the European Parliament and of the Council on industrial emissions (integrated pollution prevention and control) (COM(2007) 844 final, 21.12.2007)
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0844:FIN:EN:PDF>

Although, in principle, the use of market-based instruments is possible under this regime, their use is limited, since every operator is required to comply with BAT-based emission limit values set in individual permits (or in general binding rules). Market-based instruments could only serve to go beyond the application of BAT at the installation level.

As was shown in the Impact Assessment for this Proposal⁵, these limitations to emissions trading lead to the inability to realize certain potential cost savings and an efficiency loss in economic terms. Potential annual cost savings under an emission trading scheme based on EU-wide rules, designed to achieve BAT-based emission reductions, were estimated up to several hundreds of million euros. However, the details of the specific features of such a scheme would need to undergo further assessment.

It was also indicated that allowing Member States to use nationally determined approaches would likely increase negative environmental impacts, while offering reduced potential economic benefits. Furthermore, this would prevent trading between Member States and generally lead to distortions of the internal market.

In its Communication "Towards an improved policy on industrial emissions"⁶, accompanying the abovementioned Proposal, the Commission therefore stated that *"it will further explore the use of IPPC-compatible, market-based instruments such as an emission trading scheme for NOx/SO2, with a view to the potential development of a legal instrument laying down EU-wide rules on this issue. This work will include a full analysis of options, including the scope and the allocation of allowances, and will look into potential direct and indirect impacts for economic sectors as well as drawing on the experience from greenhouse gas emissions trading."*

Through the EU Emission Trading Scheme for GHG, trading in CO2 emissions is in place. The experience learned from the ETS and the tools developed for it (monitoring and reporting guidelines, registries, ...) may therefore be helpful in setting up and implementing a trading system for SO2 and NOx. The outcome of the studies performed for the review of the ETS will be important input for the analysis on the rules needed for operating a SO2/NOx trading system.

In contrast to CO2, for NOx and SO2 not only the overall emissions but also **the location of the source and the dispersion of its emissions** in relation to sensitive ecosystems of the environment and to the sensitive and general population is relevant. There is a risk that objectives for the protection of natural ecosystems against acidification, eutrophication and ozone as well as the objectives for protection of human health due to ozone, nitrogen oxides and particulate matter are impaired. The difficulty in monetising the ecosystem effects makes it difficult to compare them to potential economic savings of trading. In previous studies, exceedances of critical loads have been used as a proxy⁷.

⁵ SEC(2007) 1679, 21.12.2007 (http://www.ec.europa.eu/environment/ippc/pdf/recast/ia_en.pdf)

⁶ COM(2007) 843 final, 21.12.2007

⁷ For example in Cost-Benefit Analysis of the Thematic Strategy on Air Pollution http://ec.europa.eu/environment/air/cafe/activities/pdf/cba_baseline_results2000_2020.pdf, and in TNO (2007) referred to above.

Other previous studies^{8,9} have indicated that changes in environmental damage might be limited if trading is restricted to a number of trading zones that, depending on the pollutant, may cover a number of (bordering) countries.

The results from the above mentioned studies indicate that there are potential cost savings from allowing trading – the larger the trading zones, the larger the benefits. At the same time, the studies show that the environmental risk increases as the trading zone size increase. There is no conclusion as to whether the benefits of trading outweigh the environmental costs, and in that case, what would be an optimal size of the trading zones. For this, more detailed knowledge of the cost functions as well as the environmental effects is needed. To allow a more in-depth analysis of the potential benefits and costs of trade, a development of more detailed cost functions as well as a better modelling of the implications for environmental protection is therefore needed. Furthermore, more information needs to be collected on the establishment and functioning of such systems and related administrative costs. The experience gained from the operation of the GHG EU ETS will be useful for this.

As regards the environmental impacts, it should be noted that the 6th environmental action programme lays down long-term environmental and health objectives, among other things based on critical loads and levels. The Thematic Strategy on Air Pollution establishes targets for the EU as a whole for 2020 (and the NEC directive for short-term, 2010, targets). The Air Quality directive and daughter directives give air quality limit values. Also, there are other more specific environmental concerns, with especially sensitive or protection-worthy sites. To get a good knowledge of environmental and health effects of trading, solid information on emissions and abatement options and costs on a more detailed geographical level is needed. These aspects have to be considered, and to be able to interpret results more clearly, variations in environmental effects should be minimised and to the extent they cannot be avoided, duly accounted for in an impact assessment.

2. Objectives (LOT 1)

The objective of this study is to assess the environmental, economical and social impacts of various possible designs and set ups of an emission trading system under certain EU rules for land-based industrial sources of SO₂ and/or NO_x. Such a system could potentially replace the individual BAT-based permitting approach of the IPPC Directive and the proposed Directive on Industrial Emissions (IE), for the pollutants concerned. The potential cost savings of such a system shall be assessed through a detailed analysis, as well as its potential impacts on ecosystems and human health, while these should not exceed those under the existing system of legislation, including the Commission's proposal for a revised IE Directive.

The assessment needs to be done for a number of scenarios, including different levels of harmonisation of the trading scheme. This relates i.a. to the cap setting, the allocation of

⁸ TNO (2006) Establishment of optimal control areas for acidification, eutrophication and ground level ozone. Final version, Contract Nr. 2006-A-R0251/B, August 2006.

⁹ TNO (2007) Analysis of the potential cost savings and environmental and health implications of emission trading for sulphur dioxide and nitrogen dioxide. Final version, Contract Nr. 2007-A-R1256/B, November 2007.

allowances, the rules on opting in/out of the scheme and the monitoring and reporting requirements. The constraints on the scheme's potential due to the ceilings set under the NEC Directive, as well as the benefits and impacts of making these ceilings more flexible under certain rules need to be assessed thoroughly.

The level of analysis demands development of more detailed modelling of abatement options, costs, geographical dispersion, and environmental effects than available presently.

Experience with greenhouse gas emissions trading has shown that different sectors of the economy can be affected very differently by the introduction of a trading regime. It is for this reason that the Commission has explicitly included an analysis of the "potential direct and indirect impacts for economic sectors" in its Communication "Towards an improved policy on industrial emissions". The study must therefore produce sufficient sectoral economic evidence to assess the impact of different trading regimes on the competitiveness of relevant economic sectors, mainly electricity producers and energy intensive industries.

The expected end result is an analysis that provides enough insight to determine whether a trading mechanism for SO₂ and NO_x in the EU would be an appropriate market-based instrument. If found so, it should be made clear under which specific rules the instrument may be applied successfully, safeguarding at least the environmental objectives under the current legal framework and ensuring its practicability and enforceability.

The design of the system should allow future extension of it, e.g. with other land-based or maritime sources.

3. Content / Description of the tasks (LOT 1)

Assessment of data needs and feasibility

As set out in the objectives, very detailed data will be needed in order to assess properly the environmental/health impacts and potential cost savings of various designs of a trading scheme for SO₂ and NO_x as compared to the "baseline"/"BAU" scenarios (current and proposed legislation on industrial source emissions). For the activities to be included in the scheme, the following types of data would be needed:

- source location and characteristics (stack height, flow rate);
- emissions;
- fuel type and fuel amount used;
- abatement equipment installed/planned;
- further abatement options and their efficiency;
- other emission reduction options (incl. fuel switches and energy efficiency measures);
- costs (investment, operational) of various abatement/emission reduction options
- monitoring and administrative costs

Content of the tender:

The tender shall contain an overview of the data needed to successfully complete the project, the sources which will be used for obtaining this data at the necessary level of detail, as well as an indication of which of the essential data is not available and how this lack of data will be tackled.

Task 1 Outline of the scope

Under Lot 1, the potential scope of the trading system shall be restricted to land-based sources currently covered by the IPPC Directive. Emissions from ships are excluded here, but will be covered by Lot 2. The first task aims at defining which of these installations (activities, (sub)sectors), would be potential candidates to participate in a trading scheme for NO_x and SO₂. Given their share in the overall emissions, large combustion plants will need to be included in the assessment. Within the LCPs, several groups need to be further distinguished, depending on the capacity, type of fuel used (esp. for SO₂) and sector considered (power plants, CHP, industrial combustion...). Some other activities which are potential candidates for inclusion (for one or both of the pollutants concerned) are mineral oil refineries, iron and steel production, non-ferrous metals production, (parts of) the chemical industry, cement, lime, ceramics and glass manufacturing.

The choice of sectors shall take into account i.a. their current and projected emissions, the abatement measures taken and the potential for further emission reductions, the abatement costs and their variation within the sector, the number of installations and size distribution within the sector, the location of the installations, the current practices and possibilities for monitoring the emissions.

The selection will most likely be different for NO_x and SO₂.

To help the assessment, the Commission can provide the contractor with recent emission inventories of SO₂ and NO_x for the large combustion plants covered by the LCP Directive.

Output of this task

The output of this task shall be a list of activities, which could possibly be included in an emission trading system for SO₂ and NO_x. The contractor shall provide useful and clear definitions of each of these activities. The list of activities needs to be agreed with the Commission upon finalising this task as it will be further used for the other tasks of the project.

Content of the tender:

The tender shall include a description of the methodology proposed by the contractor to determine the list of activities referred above as well as a preliminary analysis and description of the (sub)sectors to be assessed for inclusion in the trading scheme.

Task 2 Definition of environmental constraints for the trading scheme

This task aims to identify in detail the main environmental constraints within which the emission trading system would need to operate. These constraints will be used when calculating and assessing the impacts of the various scenarios (tasks 5 and 6).

Sub-task 2.1: Define and quantify sensitivities

In order to assess the overall impacts of the emissions of SO₂ and NO_x, both the environmental and health effects need to be considered specifically. These effects may be important at the very local level, but also at a regional or wider level, due to long range transport.

The spatial heterogeneity of the sensitivity of ecosystems to acidification and eutrophication needs to be considered in sufficient detail as impacts may differ substantially between different regions or even smaller areas. The impacts on human health will be strongly influenced by the population density and the presence of sensitive groups in the areas affected by pollution, be it primary or secondary (NO_x, ground-level ozone, fine particulate matter).

Output of this sub-task

Building on existing work and additional data collection and analysis, the outcome of this sub-task is to determine what will be the input for the modelling work (see task 5) as regards the sensitivities of ecosystems and men to environmental and health impacts of NO_x and SO₂ emissions. This needs to yield quantitative information on a sufficiently detailed geographical scale in order to be able to analyse the environmental risks of trading.

Content of the tender:

The tender shall contain a description of the data already available and the proposed methodology to improve the input data to the modelling work regarding the assessment and quantitative comparison of the sensitivities.

Sub-task 2.2: Ceilings under the NEC Directive

When setting up a trading system, compliance needs to be ensured with the requirements of the NEC Directive 2001/81/EC. The overall NO_x and SO₂ emissions from the Member States – including the emissions from the sources covered by the trading system – shall not exceed the ceilings set for 2010 and beyond. The same will apply for the new ceilings which may be set under a revised NEC Directive.

However, as the IPPC installations are responsible for a large share of the total emissions of SO₂ and (to a lesser extent) NO_x, the NEC ceilings might be an important limiting factor for the trading system to function. It might be possible to overcome this

barrier by allowing some flexibility on the NEC ceilings (Note: this would only be the case if the analysis on the trading zones (see task 4) would leave open the possibility to have inter-Member States trading).

For this purpose, a system governing this flexibility would then need to be set up. Under this system, Member States would be allowed to exceed, to a certain extent, their NEC ceilings under the conditions that these exceedances are compensated by equivalent emission reductions in other Member States located in the same trading zone (see task 4). Different options for rules of such "compensation" system would need to be assessed.

Output of this sub-task

This subtask aims at assessing to what extent the NEC ceilings would limit the cost-effective operation of a trading system for SO₂ and NO_x. It should look into the possibilities for allowing Member States to exceed their NEC ceilings if this is compensated by measures in other Member States. This sub-task should also result in the description of rules for establishing such systems.

Content of the tender:

The tender shall contain a preliminary analysis of the issues at stake as well as the outline of the methodology to be followed to carry out this sub-task.

Sub-task 2.3 Other environmental constraints (current and proposed legislation)

The trading system would replace the requirement from the IPPC Directive to include emission limit values in the environmental permit (or general binding rules), which have to be based on the "Best Available Techniques" (BAT), taking into account certain local conditions. In the Commission's Proposal for an Industrial Emissions Directive, the requirement to set BAT-based permit conditions is even strengthened. The proposed rule states that the emission limit values shall not exceed the emission levels associated with BAT (BAT AELs). Derogations can be granted in specific and well justified cases.

In order to achieve at least the same environmental ambition level, any trading system replacing the "BAT-based permit" system should not lead to increased overall emissions. The overall emissions under the trading system should therefore at least be "BAT equivalent" under the rules described in the Commission's Proposal for an Industrial Emissions Directive.

In order to define the "BAT equivalent" levels, several options need to be considered for instance to reflect that BAT Associated Emission Levels (AELs) set in the BREFs are generally a range of values.

Furthermore, any national legislation going beyond the BREF BATs should be taken into account.

In addition to the requirement to apply BAT, the IPPC Directive (and the Proposal for a Directive on Industrial Emissions) also requires permit conditions to go beyond BAT if this is needed to ensure compliance of the environment affected with Community environmental quality standards. Such air quality standards (AQS) exist for NO_x and SO₂ under Directive 1999/30/EC. The requirement to comply with these standards would not be affected by the future use of a trading system.

Output of this sub-task

The aim of this sub-task will be to define and evaluate how the "BAT equivalence" of the system and the compliance with AQS can be ensured through specific rules (most likely in the form of a cap and definition of trading zones) under the trading system. The contractor will identify and assess different options for this.

Content of the tender:

The tender shall include a description of the possible options which could be considered to ensure at least an equivalent environmental ambition level than under the Proposal for an Industrial Emissions Directive and the AQS legislation.

Task 3 Derive cost functions

For the installations and activities considered, a detailed assessment will be needed of the costs of reducing emissions. These costs will vary depending on the characteristics (type, size, capacity, load) of the installation and its location.

As the differences in marginal costs will be the main driver for the trading, cost functions at the individual plant level would ideally be needed for this assessment. Existing databases, e.g. of power plants, should be used to access such plant level data.

However, given the number of installations potentially to be covered, a slightly simplified approach could be accepted, as long as a sufficiently high level of detail is kept, by using a combination of top-down models and plant level data. When aggregating installations, care should be taken to align the plant groups with the categories of installations as distinguished in the current or proposed legislation (e.g. for LCPs: < 50 MW, 50-100 MW, 100-300 MW, 300-500 MW, > 500 MW).

The average abatement costs have to be set out as a function of the emission reductions achieved, which themselves are a further function of the used techniques. They shall include and indicate the current abatement levels and costs, as well as the marginal abatement costs of further emission reductions. Where available, this shall cover measures going beyond BAT as defined in the BREFs. The emission reduction measures to be considered for LCP shall include various

carbon capture technologies (in line with the proposal for a Directive on CCS) and their air pollution (SO₂, NO_x) implications.

The cost function curves have to be created for groups of activities and also at an aggregated level, covering the possible trading zones. The marginal costs of additional abatement have to be compared with the allowance prices from the trading module, and implications for the market evolution should be assessed in the trading module (see task 5).

Outcome of the task

The cost functions should be determined, based on actual data or estimations, for all EU27 Member States individually as well as for the trading zones considered for the years 2016, 2020, 2025 and 2030. Assumptions made to develop those cost functions will have to be clearly described and justified. This will constitute an important input to the modelling (task 5).

Content of the tender

The tender shall present the methodology proposed for deriving the cost functions. In particular, the level of detail of the data which will be used, as well as the geographical scale, shall be outlined (see also introduction to the tasks: Assessment of data needs and feasibility).

Task 4 Define options for "trading scenarios"

A number of rules need to be established in order to operate any trading scheme. The following main areas for such rules have been identified and can be summarized as follows. The project could identify some other issues to be addressed.

1. trading system

Different options could be considered for the type of trading system to be used. Building on the experience of the ETS, the favoured system would be a cap-and-trade system. Other systems may be assessed but shall only be considered for further analysis if it can be shown that they would allow the same level of predictability and would ensure achieving the same environmental objectives.

Also, the unit of allowances needs to be defined (e.g. 1 allowance = 1 tonne of SO₂), which may depend on the expected cost of the emissions (smaller units might be needed to avoid very high unit prices).

2. cap setting (level)

As described under sub-task 2-3, the level of the cap to be set needs to ensure that the overall emission reductions achieved are at least equivalent with those under the BAT based permit approach. However, the cap level (in relation to the cost of the abatement needed to reach it) will also determine the price of the allowance on the market.

At least the following options need to be considered: “BAT equivalent” caps (as defined under Task 2), “lower end of BAT” cap or cap based on maximised environmental benefits.

Note: in case other than cap-and-trade systems would be considered for further assessment under this task, possible ways of "capping" such systems would need to be defined and assessed.

3. trading zones

In principle, the cost-effectiveness of an emission trading system will increase when the size of the trading area becomes larger. As a starting point, it could be considered that the whole EU territory would be one trading zone. However, due to the nature of the pollutants concerned and the differences in vulnerability (to environmental and health impacts as described under task 1) between areas, limits might be needed on the size of the trading zones.

Based on the assessment of those restrictions, a number of options could be identified for deriving the trading zones (e.g. EU-wide, single Member States, cluster of Member States, regional zones covering parts of several Member States...). This may differ for SO₂ and NO_x.

The size of the trading zones will be important in determining the size of the market(s) and thus the functioning of it; on the other hand, limiting the trading zone size shall ensure that excessive pollution of/in sensitive areas is avoided.

This analysis should be built on projects already carried out on this issue (in particular those referred to under part 1, Background), but requires more detailed assessment.

The result of the analysis shall feed back into the results of subtask 2-2 on the possible flexibility mechanism for the NEC ceilings.

4. allocation methods

Several options are available for allocating allowances, with the main ones being grandfathering, benchmarking and auctioning, each having different impacts on the functioning of the trading scheme. The feasibility and impacts of the different allocation methods for the sectors concerned need to be assessed at a general level. Special attention will be given to the distributional effects due to the allocation method chosen, taking into account the abatement efficiency of potential emission reduction techniques.

5. participants to the trading system

This refers to options regarding the level of flexibility (voluntary, mandatory) to the participation in the scheme both at the level of the Member States and the operators. Related to this are possible options for opt-in and opt-out rules for operators (for instance depending on capacities or emissions) and the treatment of new entrants. It should also be assessed whether the trading should be limited to the operators themselves or could be extended to third parties (as under the GHG ETS).

6. monitoring, reporting and verification schemes

Options should relate to the different level of stringency and details of rules regarding these issues. These options should be based on the experiences and tools of the GHG ETS, and take into account other existing requirements, standards and practices.

7. other issues

Rules will also be needed on the length of the trading periods and the possibilities for banking/borrowing allowances.

The tender may indicate further issues where rules need to be set.

Outcome of this task

The contractor shall provide:

- a detailed inventory and description of the possible EU-wide rules to be laid down for this system. These rules shall also include the outcome of the analysis regarding the interaction with the NEC Directive (see task 2.2);
- the most favourable rules in order to ensure the robustness, fairness and enforceability of the system and to avoid suboptimal cost-efficiency and windfall profits. The assessment needs to include the identification of risks for “leakage” of the system, competitiveness issues especially concerning specific sectors such as electricity producers and energy intensive industries and other unwanted side-effects.
- a definition of the main "trading scenarios" of a possible trading system based on a combination of the most favourable rules. The number of those "trading scenarios" shall be limited and those scenarios shall be agreed by the Commission.

This task should strongly benefit from the experience learned from the EU GHG ETS and the extensive study work done during the review of it. This is in particular the case for the aspects of allocation (auctioning, benchmarking, grandfathering), monitoring/reporting/verification and the treatment of new entrants.

Content of the tender

The tender shall contain a preliminary description of the possible rules and the methodology for their assessment. The tender should also indicate how the experience from implementing and reviewing the EU GHG ETS will be used and how the tools under the GHG ETS might serve also for the SO₂/NO_x emission trading system.

Task 5 Simulation and modelling of the impacts of the "trading scenarios"

Using the outcome of the analysis of the environmental constraints (task 2), the cost functions (task 3) and based on defined "trading scenarios" (task 4), the contractor shall carry out the following sub-tasks to assess the environmental and economic impacts of the various scenarios.

Sub-Task 5-1: Simulation of the trading market evolution

Taking account of the environmental ambitions (constraints) and the possible trading zones and other rules of the planned trading system, a market evolution simulation has to be worked out. This could be an analysis in 2 phases (initial phase and mature one).

For the first phase, it has to be analysed how many installations would decide for additional abatement (producing allowances) and how many would count on buying allowances. In the second phase, players are more informed and the final cost savings have to be analysed based on simulation of demand, supply and prices of allowances, related to marginal abatement costs. Reasonable assumptions must be made on the behaviour of market players, which has to be based on literature but also on primary information (e.g. asking operators what they expect, how they would move, what incentives they feel, what obstacles).

Focus should be on whether – and under which conditions - there would be enough trading volume and liquidity on the market. Links must be made to timing, trading periods and legislative framework. The derived assumptions on the behaviour of the market players have to be agreed with the Commission before being applied to the trading simulation.

Sub-Task 5-2: development of modelling tools

The Contractor shall use existing modelling tools, adapt them or develop new tools to assess the environmental and economic impacts of the "trading scenarios".

Content of the tender

The tender shall contain a preliminary description of the models which will be used for this task or – if not yet available – of the way such models will be developed (and the time/resources to do so).

Sub-Task 5-3: modelling of the impacts

The modelling shall include a baseline scenario including the implementation of the current legislation and take into account the effects of the proposed climate action/energy package (incl. the CCS proposal). Special attention will be given to the impacts of measures taken or planned for reducing greenhouse gas emissions (CO₂, N₂O, ...) on the emissions of NO_x and SO₂.

A "BAU" scenario is needed to include the proposal for a Directive on Industrial Emissions, to which the trading scenarios need to be compared.

The impacts of the "trading scenarios" should cover the following time period: 2016 (date of implementation of the new LCP emission limit values), 2020, 2025, and 2030.

The impacts to be considered are the environmental effects (total emissions, impacts on environment and health) and the economic effects (compliance costs, monitoring costs, administrative costs), both at the scale of the Member States as on an aggregated level.

The study must produce sufficient sectoral economic evidence to assess the impact of different trading regimes on the competitiveness of relevant economic sectors, especially the electricity producers and energy intensive industries.

Outcome of the task

As a result of this task, the Contractor shall provide a detailed analysis of the expected trading evolution and the outcome of the modelling runs for the "trading scenarios".

This will include:

- all the assumptions of the market functioning (number of player investing/not investing, representing supply or demand, price evolution, different expected stages of market evolution);
- the relation between the supposed allowance price evolution and marginal cost evolution (dynamically in time) as the driving factor of the market;
- as a result the realized cost savings for different groups of players (also dynamically in different time phases);
- and finally assessing all the above for a specific period.

It is very important that all assumptions made are clearly identified and that the modelling exercise is fully transparent.

Content of the tender

The tender shall provide an overview of the methodology and the models expected to be used or developed to carry out this task.

Task 6 Impact assessment

Taking into account the outcome of the modelling, an impact assessment shall be drawn up following the Commission Guidelines (http://ec.europa.eu/governance/impact/docs/key_docs/sec_2005_0791_en.pdf).

The impact assessment shall also cover issues which could not be addressed in modelling work and include a more qualitative assessment of certain issues. Therefore, specific analysis will be needed for:

- sensitive ecosystem impacts
- administrative costs (in a broad sense, including costs for setting up the scheme, additional monitoring/reporting/verification, enforcement, etc) for both operators and competent

authorities- competitiveness issues, in particular related to the allocation method chosen and local constraints on trading

- at the level of individual installations, impacts on the integrated assessment (effects on other emissions – also to water, land - and environmental impacts) as defined in the IPPC directive of removing SO₂ and NO_x from the BAT-based permit conditions under the IPPC Directive for the opted-in installations
- at a general level, the potential impacts on the overall emissions of other NEC-pollutants, such as particulate matter, ozone and NH₃ (which would remain subject to the BAT based permit conditions)

4. Experience required of the Contractor (LOT 1)

The core team of the successful tenderer should have:

- Demonstrable expertise in the field of air pollution dispersion modelling in Europe and be able to use these modelling tools
- In-depth technical understanding of the main industries potentially involved, and requirements for pollution abatement under IPPC, LCPD, WID etc.
- Demonstrable expertise in the economic aspects of air pollution abatement from stationary sources in Europe
- Very good knowledge of and familiarity with the legal aspects of air pollution regulation in Europe
- Very good knowledge and clear understanding of emission trading schemes (CO₂, NO_x/SO_x – also in other countries) and their implementation aspects (cap setting and allocation, monitoring, reporting, verification, registry issues etc)
- Excellent knowledge of and familiarity with the economic aspects associated with emissions trading
- Demonstrable expertise in impact assessment of air pollution in Europe
- Demonstrable capacity to organise and execute the tasks

5. Deliverables (LOT 1)

Within the contract the deliverables are:

- **Inception report** within 2 weeks of the inception meeting. This report shall outline the methodology and the work plan and the outcome of the discussions during the inception meeting on the scenarios/options to be analysed.
- **First interim report** within 3 months of signature date: delivery of report from Tasks 1-4
- **Second interim report** to be presented 6 months after the signature: reporting on Task 5.
- A **draft final report** (including an executive summary) to be delivered 11 months after the signature of the contract.
- A **final report** within 12 months of the signature of the contract.

All reports will be drafted in the English language.

Within the contract the contractor shall include time and budget for 4 **meetings** in Brussels with the Commission and the reference group discussing in turn the inception report, first interim report, second interim report, and draft final synthesis report. Also the contractor shall include time and budget for 2 meetings in Brussels with stakeholders.

The inception meeting shall take place within 3 weeks of the signature of the contract.

6. Duration of the tasks (LOT 1)

The tasks should be completed within **12** months of the signature of the contract (see point 5). The execution of the tasks may not start before the contract has been signed.

7. Place of performance (LOT 1)

The place of performance of the tasks shall be the contractor's premises or any other place indicated in the tender, with the exception of the Commission's premises.

LOT 2 : ASSESSMENT OF POLICY OPTIONS TO REDUCE AIR POLLUTION FROM SHIPPING

The key objective of the work item under this Lot is to assess the feasibility of including the maritime sector into a system of trading in SO_x and NO_x emissions between land-based sources in the EU. As such it necessarily builds upon the work undertaken under Lot 1.

The work follows on from a request of the European Parliament in the form of a proposed pilot project under the 2008 budget *to cut sulphur emissions in the Baltic Sea by launching a pilot sulphur emissions trading scheme between countries which are willing to participate*'. The Commission does not intend to establish a fully fledged trading system for shipping at this time but will rather investigate the technical, legal and economic feasibility of such systems.

1. BACKGROUND

1.1. Emissions and legal instruments

Emissions of the air pollutants sulphur dioxide and nitrogen oxides from shipping are expected to continue to grow such that by 2020 the aggregate emissions from EU sea areas are expected to be as large as those from all land-based sources. Clearly, the impact of these emissions will vary according to the location of the emitting ships and this has been recognised in international conventions and Community law.

Annex VI of the Marine Pollution Convention (MARPOL) is dedicated to air pollution from ships. Annex VI designates the Baltic Sea and the North Sea/Channel as Sulphur Emission Control Areas (SECAs) where each *individual* ship must burn fuel with a sulphur content of less than 1.5% by mass. Directive 1999/32/EC¹⁰ replicates the conditions of Annex VI but also imposes the requirement for ships at berth in EU ports to burn fuels with a sulphur content of less than 0.1% as from 1 January 2010.

The Commission stated in the recent Maritime Policy White Paper that it prefers international solutions to reduce air pollutant emissions from ships but if international action does not deliver sufficient progress then the Commission will consider possible Community measures.

In April 2008, the International Maritime Organization (IMO) will in principle decide upon substantial changes to MARPOL Annex VI. Options currently being discussed in relation to sulphur include (1) a global switch away from the use of heavy fuel oil to lighter distillate fuels with substantially reduced sulphur content; and (2) marine fuels used in sulphur emission control areas to have a substantially reduced sulphur content (ca. 0.5% or even 0.1%). The IMO has apparently decided against proposing trading systems for sulphur emissions though a formal decision is not expected until March or possibly October 2008. For emissions of nitrogen oxides, the IMO is considering two new emissions limits for new ships (so-called "Tier II" and "Tier III" standards). These represent a reduction of

¹⁰ Directive 1999/32./EC on the sulphur content of certain liquid fuels as amended by Directive 2005/33/EC

approximately 20% and 80% reductions compared to current Tier I standards though the latter would only apply in geographical areas near to land.

The Commission intends to review Directive 1999/32/EC in 2009. This review will take into account the outcome of the negotiations at the IMO but may also propose stricter measures if these are appropriate in the context of the EU's air pollution objectives. Service contracts are under preparation to support this work which will be launched in 2008. There is no Community legislation governing maritime emissions of nitrogen oxides.

1.2. Previous emissions trading pilot study in the North Sea

The SEAA¹¹ organisation previously organised a pilot project on sulphur emissions trading in the North Sea. It reported in 2006¹² before the North Sea Sulphur Emission Control Area entered into force. The scheme was voluntary and worked on the basis that operators burning fuel in the North Sea/Channel with a sulphur content of less than 1.5% could *offset* the reduced sulphur emissions (relative to the 1.5% level) with those operators that chose to burn fuel with sulphur contents in excess of 1.5% sulphur. Such a scheme would now infringe Community law as *each and every* ship must now comply with a maximum fuel sulphur content of 1.5% when in the Baltic Sea or North Sea/English Channel.

2. OBJECTIVES & TASKS OF LOT 2

2.1. Objectives

The aim of the study will be to use the results obtained in Lot 1 to assess the feasibility of expanding a land-based trading system so as to include emissions from ships. This will need to look at relevant technical, legal and economic factors. The starting point should be the recommended option(s) derived from Lot 1.

2.2. Tasks

The contractor should (1) quantify the additional benefits of including ships; (2) identify those technical and legal obstacles which currently prevent ships being included; and (3) propose solutions where possible to overcome these obstacles.

In particular the work under Lot 2 will have to take into account the following:

- (1) As previously indicated, it would appear that the IMO could, in 2008, agree substantial further reductions in the sulphur and nitrogen oxide emissions. The relevance and benefits of any trading scheme to include ships must be assessed against this background.
- (2) Community law already addresses SO₂ emissions from individual industrial installations as well as limiting each Member State's total national emissions of SO₂. Options for emissions trading schemes would have to take this existing legal

¹¹ Shipping Emissions & Trading; organisation encompassing ship associations, abatement equipment manufacturer, oil companies etc..

¹² http://www.seaat.org/emissions_trading.htm

framework into account as well as the fact that the current IMO fuel sulphur regulations and NOx emissions apply to each and every ship individually. Future IMO regulations on sulphur are also likely to apply on an individual ship basis.

- (3) The United Nations Convention on the Law of the Sea (UNCLOS) governs the legal rights and duties of Flag States and Port States and the requirements that can be imposed upon the innocent passage of ships in territorial seas and international straits of navigation. The European Community is a party to UNCLOS and so this Convention is a part of Community law.
- (4) Which geographical sea region(s) (and corresponding emissions) should participate in a trading system taking account the environmental impacts associated with sulphur and NOx emissions and the location of sensitive populations and ecosystems?
- (5) How could ships' compliance and or emissions performance be verified and would this raise any technical or legal complications?
- (6) How would such trading systems interact with other incentives such as differentiated port dues and fairway dues which already encourage cleaner ship operation? How effective would these alternative incentives continue to be? Could they be deemed as an unfair subsidy relative to land-based sources?

Content of the tender

The tender shall provide an overview of the methodology expected to be used to carry out these tasks. It will indicate how the above points will be taken into account during the performance of the tasks.

3. DELIVERABLES (LOT 2)

The contractor would be expected to prepare a report explaining the findings in relation to the above objectives and factors. This report should be drafted in English and be submitted within 9 months of the signature of the Lot 2 contract. The Commission will then have 45 days to provide comments on the draft report and the contractor will then have a further 30 days to finalise the report.

4. EXPERIENCE REQUIRED OF THE CONTRACTOR (LOT 2)

The contractor should have good knowledge of the maritime sector and very good expertise in the assessment and definition of economic instruments in relation to air pollution stemming from the sector. In addition, the contractor should have long-standing experience of undertaking economic analyses of costs and benefits of environmental proposals as well as very good knowledge and expertise in the area of Community and International law particularly in relation to the maritime sector.

5. DURATION (LOT 2)

The tasks of the Lot 2 contract should be completed within **12 months** from signature of the contract.

6. PLACE OF PERFORMANCE (LOT 2)

The place of performance of the tasks shall be the contractor's premises or any other place indicated in the tender, with the exception of the Commission's premises.

PART 2: ADMINISTRATIVE DETAILS

1. General terms and conditions for the submission of tenders

Submission of a tender implies that the Contractor accepts all the terms and conditions set out in these specifications (including the annexes) and waives all other terms of business.

Submission of a tender binds the Contractor to whom the contract is awarded during performance of the contract.

Changes to tenders will be accepted only if they are submitted on or before the final date set for the submission of tenders.

Expenses incurred in respect of the preparation and presentation of tenders cannot be refunded.

No information of any kind will be given on the state of progress with regard to the evaluation of tenders.

Once the Commission has accepted the tender, it shall become the property of the Commission and the Commission shall treat it confidentially.

The protocol on the Privileges and Immunities or, where appropriate, the Vienna Convention of 24 April 1963 on Consular Relations shall apply to this invitation to tender.

2. No obligation to award the Contract

Fulfilment of adjudication or invitation to tender procedure shall not involve the Commission in any obligation to award the contract.

The Commission shall not be liable for any compensation with respect to tenderers whose tenders have not been accepted. Nor shall it be liable in the event of its deciding not to award the contract.

3. Joint tenders

When a consortium / partnership is envisaged three cases can arise:

- I. The offer originates from a consortium already formally set up as a separate and legal entity able to submit its statutes, mode of operation, technical and financial capacity, such as result from the contributions of its various members. It is such a consortium that will bear the technical and financial responsibility for the contract and will present the requested financial guarantee, if applicable.
- II. The offer originates from companies not yet having created a consortium as a separate legal entity but planning to constitute one as referred to in item I, if their joint offer is accepted. In such a situation, the tenderer will have to provide the legal form, the envisaged draft statutes and mode of operation of the consortium, the various technical and financial contributions, letters of intent, as well as the guarantees envisaged, where applicable.
- III. The offer originates from companies not wishing to constitute formally a consortium as a separate legal entity and thus constituting effectively an association. In such a case, the offer will be submitted in the form of subcontracting (cf. point 4 below), in which

case one of the companies shall assume the total responsibility for the offer. This company will sign the contract in its name, the other companies then being regarded as subcontractors of the first.

For joint tenders described in cases I and II above, the information required in

- Part 2, 6.2 (“administrative proposal”)
- Part 3, 1 (“information for assessment of exclusion criteria”) and
- Part 3, 2 (“information for assessment of selection criteria”)

must be provided for **all** members participating in the tender.

For joint tenders described in case III please refer to point 4 below.

4. Subcontractors

Subcontracting is permitted subject to the following conditions:

- the subcontractor is the sole responsibility of the main contractor;
- Tenderers must indicate in their offers the amount of the contract (if any) that they will subcontract to third parties, as well as the identity and availability of the chosen subcontractor(s). The contractor will not subcontract to third parties not identified in the offer as potential subcontractors without prior written authorisation from the Commission;
- the contractor shall not cause the contract to be performed in fact by third parties;
- even where the Commission authorises the contractor to subcontract to third parties, the contractor shall nonetheless remain bound by his obligations to the Commission under the contract;
- the contractor shall ensure that the subcontract does not affect rights and guarantees to which the Commission is entitled by virtue of the contract.

Where the total amount envisaged for subcontracting is above 30% of the total contract value, evidence of the subcontractor(s) ability to perform the tasks entrusted to him/them shall be included in the offer. Such evidence is the same as that also required from the contractor, as described and identified, in Part 3, point 2 below.

Where the total amount envisaged for subcontracting is above 50% of the total contract value, the subcontractor(s) must also, **if and when requested**, present evidence of compliance with the exclusion criteria (as required from the potential contractor) as described in Part 3, point 1 below.

Tenderers should note that the Commission will consider intended subcontracting below 30% of the contract value as an indication that the potential contractor has the resources to complete the tasks under the contract, as well as a factor potentially enhancing the proposed team organisation. Therefore this point will be taken into account in the assessment of the award criterion “project management and availability”.

5. Payments

The contracts for **both Lots 1 and 2** will be paid on a lump sum basis.

A pre-financing payment of **30%** will be paid upon signature of the contract of each Lot.

A final payment of **70%** will be paid upon acceptance by the Commission of the final report under each Lot.

The Commission reserves the right to waive the pre-financing payment if applicable, or to request a financial guarantee should it be deemed necessary.

The Commission is exempt from all taxes and dues, including value added tax, pursuant to the provisions of Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Communities with regard to its financial contribution under the contract.

6. Content of the tender

All tenders must be presented in three sections:

6.1. Financial proposal

A financial proposal duly dated and signed by the person authorized to sign on behalf of the organization. The price must be quoted in Euro using the template in annex 2, including for the countries which do not form part of the Euro zone. For the tenderers of the countries which do not form part of the Euro zone, the amount of the offer cannot be revised because of exchange rate movements. The choice of exchange rate belongs to the tenderer, who assumes the risks or opportunities associated with these exchange rate movements.

The price must be a fixed amount, inclusive all expenses. The price will not be subject to revision.

For guidance purposes, the maximum budget allocation to this contract is fixed at **€ 350.000 (three hundred and fifty thousand Euro) for LOT 1**

For guidance purposes, the maximum budget allocation to this contract is fixed at **€200.000 (two hundred thousand Euro) for LOT 2.**

The price quotation must be signed by the tenderer or his duly authorised representative.

The price must be quoted free of all duties, taxes and other charges, including VAT, as the Communities are exempt from such charges under Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Communities of 8 April 1965 (OJEC L 152 of 13 July 1967). Exemption is granted to the Commission by the governments of the Member States, either through refunds upon presentation of documentary evidence or by direct exemption. For those countries where national legislation provides an exemption by means of a reimbursement, the amount of VAT is to be shown separately. In case of doubts about the applicable VAT system, it is the tenderer's responsibility to contact his national authorities to clarify the way in which the European Community is exempt from VAT.

The offers shall remain valid for a period of **9 months for Lot 1 and 20 months for Lot 2**, as from the deadline for submission of offer.

6.2. Administrative proposal

An administrative information form containing information on the full name of the organization, legal status, address, person to contact, person authorized to sign on behalf of the organization, telephone number, and facsimile number, as well as relevant bank details. The form must be duly dated, signed and stamped by the person authorized to sign on behalf of the company, and by the bank (see annex 1).

A legal entity form (see annex 3), proof of enrolment (certificates) in one of the professional or trade registers, in country of establishment;

If the tenderer is a natural person; she/he will be required to provide proof of her/his status as a self-employed person. To this end she/he must supply details of her/his social security cover and situation with regards to VAT regulation.

A declaration of the candidate's eligibility; certifying that he/she is not in one of the situations listed in articles 93 and 94 of the Financial Regulation of the European Communities (Official Journal L 390 of 30/12/2006) (see annex 4)

Documents relating to the selection criteria (see part 3, point 2.1. Financial and Economic capacity)

The service provider's educational and professional qualifications and those of the firm's managerial staff and, in particular, those of the person or persons responsible for providing the services (curriculum vitae presented on the EU standard form which can be downloaded from the following address –

<http://europass.cedefop.europa.eu/europass/home/vernav/Europass+Documents/Europass+CV/navigate.action> together with a consolidated overview of CVs in an excel table.

A list, in English or French of the principal studies, services contracts, consultancy work, surveys, publications or other work previously carried out during the past three years, indicating the name of the client and stating which, if any, were done for the European Commission.

Tenders from consortia of firms or groups of service providers must specify the role, qualifications and experience of each member (see also part 3, points 1, 2 and 3 – exclusion, selection and award criteria).

6.3. Technical proposal

A contract proposal with the methodology to fulfil the requirements mentioned in Part 1. The tender should give indications on the theoretical background used, the methodology used in the work that will be undertaken and on its appropriateness for this purpose, in conformity with the guidelines included in the approach. It should also give indications on the data to be used and their reliability.

The tender shall contain at least the information mentioned in Part 1 (points on Tasks).

Establish the tenderer's identity

The tenderer should detail the competence, experience and the means at his disposal which would allow the tasks foreseen in the contract to be carried out.

A list of previous work carried out over the past 3 years must be included.

If a consortium is formed for the execution of the tasks presented in this call for tender, then please explain the roles of each partner in the consortium. (For the administrative details in relation to joint tenders, please refer to Part 2, point 3).

If sub-contracting is envisaged, please clearly indicate which tasks are concerned, the % that this represents of the total value of the offer, and the name and address of the sub-contractor(s), if known at this stage.

Implementation of the contract

Describe the methodology to be applied to carry out each of the tasks foreseen in the contract.

Managing the contract

The tenderer's availability during the period of the execution of the tasks must be clearly demonstrated, and explain how the project will be managed.

PART 3: ASSESSMENT AND AWARD OF A CONTRACT

The assessment will be based on each tenderers bid.

All the information will be assessed in the light of the criteria set out in these specifications. The procedure for the award of the contract will concern only admissible bids and it will be carried out in three successive phases. The first step is to check that the tenderers are not excluded in any way from taking part in the tender procedure. The second step is to check the tenderer's capacity (financial and technical) to perform the contract and the final step is to assess the quality of the offers against the award criteria.

In the case of joint tenders, the exclusion, selection and award criteria will be applicable to all the members of the consortium. The same principle will also be applied in the case where there are sub-contractors. The bid must clearly identify the subcontractors and document their willingness to accept the tasks and thus acceptance of the terms and conditions set out in Part 2, point 1. Tenderers must inform the subcontractors that Article II.17 of the standard contract will be applied to them. Once the contract has been signed, Article II.13 of the above mentioned contract shall govern subcontractors.

1. Exclusion criteria

Tenderers must declare on their honour that they are not in one of the situations referred to in articles 93 and 94 a) of the Financial Regulation. Tenderers or their representatives must therefore fill in and sign the form in Annex 4 to these specifications. Hereby agreeing to submit to the Commission, **if and when requested to do so**, those certificates or documents demonstrating that the tenderer is not in any of the situations described under points (a), (b), (d) and (e) below:

These articles are as follows:

Article 93:

1. Applicants or tenderers shall be excluded if:

- (a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- (b) They have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- (c) They have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- (d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;
- (e) They have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- (f) They are currently subject to an administrative penalty referred to in [Article 96\(1\)](#).

Article 94

A contract shall not be awarded to candidates or tenderers who, during the procurement procedure for this contract:

- (a) are subject to a conflict of interest;
- (b) are guilty of misrepresentation in supplying the information required by the contracting authority as a condition of participation in the procurement procedure or fail to supply this information;
- (c) find themselves in one of the situations of exclusion, referred to in [Article 93\(1\)](#), for this procurement procedure.

2. Selection criteria

Only those tenders fulfilling all the selection criteria will be examined in the light of the award criteria. The selection criteria are set out below

2.1. Financial and economic capacity may be shown by means of the following:

- A simplified balance sheet and profit and loss account, exclusively based on the annex 5 form attached to these specifications;

In the event that the tender is unable to complete the form as proposed above one of the following alternatives would be acceptable

- a. financial statements for the last two financial years;
OR
- b. declaration concerning the sales turnover related to the field associated with the invitation to tender during the last three financial years;
OR
- c. other substantiating documents if the candidate or tenderer cannot, for valid reasons, provide those indicated above

2.2. Technical and professional competence:

Experience as evidenced by the qualifications, both educational and professional, of the service provider or contractor and those of the firm's managerial staff and, in particular those of the person or persons responsible for carrying out the service/work. Curriculum vitae must be provided.

A reference list of relevant previous projects over the past 3 years must be provided, indicating the sums involved, dates, recipients, public or private.

2.3. Authorisation to perform the contract

A tenderer must prove that he is authorised to perform the contract under national law, as evidenced by inclusion in a trade or professional register, or a sworn declaration or certificate, membership of a specific organisation, express authorisation or entry in the VAT register.

2.4. Access to the market

A tenderer must indicate in which State they have their headquarters or domicile and to present the supporting evidence normally acceptable under their own law.

3. Award criteria

Further to the price quoted for the contract, the following award criteria will be applied **for both lots**:

Award criteria 1 – Understanding (max points: 30)

This criterion is used to assess the degree to which the tender shows a clear understanding of the objectives and tasks of the services to be provided.

Award criteria 2 – Methodology (max points: 40)

The degree to which the methodology shows the capacity to resolve the questions underlying in the tender in a realistic and well-structured way, as well as whether the methods proposed are suited to the needs set out by the Commission in the Technical Description.

Award criteria 3 – Project management and availability (max points: 30)

Offers will be assessed as regards the organisation of the team, the time allocated to each team member and the availability of resources for the completion of the contractual tasks, which should be clearly outlined in the tender.

Since assessment of the tenders will be based on the quality of the proposed services, tenders should elaborate on all points addressed by these specifications in order to score as many points as possible. The mere repetition of mandatory requirements set out in these specifications, without going into details or without giving any added value, will only result in a very low score. In addition, if certain essential points of these specifications are not expressly covered by the tender, the Commission may decide to give a zero mark for the relevant qualitative award criteria.

4. Points

A points system to evaluate the award criteria relating to the technical value of the offers will be applied.

A maximum of 30 points will be attributed to criterion 1, a maximum of 40 points will be attributed to criterion 2, and a maximum of 30 points will be attributed to criterion 3. In addition a minimum threshold will be set up under this system of points:

- Technical sufficiency levels: Selected companies will have to score a minimum of 18, 24 and 18 points under criteria 1, 2 and 3 respectively, with a minimum total of 65 points.

5. Budget

The budget for the contract dealing with **LOT 1** is a maximum of €350.000 excluding VAT (including fees, travel and all other costs).

The budget for the contract dealing with **LOT 2** is a maximum of €200.000 excluding VAT (including fees, travel and all other costs).

The Commission is exempt from all taxes and dues, including value added tax, pursuant to the provisions of Articles 3 and 4 of the Protocol on the Privileges and Immunities of the European Communities with regard to its financial contribution under the contract.

The price quoted must be a firm, non-revisable price and must be quoted in euro.

Having examined the tenders from a technical point of view, the evaluation committee will proceed considering which is the economically most advantageous offer taking into account **only those tenders that have obtained at least 65 out the 100 points that are available for the technical quality of the bid**. The evaluation committee will then proceed with the financial comparison of the tenders retained for further consideration according to the ranking procedure below.

6. Ranking of the tenders and award of the contract.

The bid offering the best value for money will be chosen, provided that the minimum number of points cited above is achieved. Best value for money will be calculated as follows:

- All bids that do not reach the stated technical sufficiency levels for each individual award criteria will not be considered for contract award.
- All bids that have passed the individual levels and score 65 or higher are deemed to be technically sufficient. Then the price is divided by the total number of points awarded to obtain the price-quality ratio. The award of the contract will be made in accordance with the lowest ratio.

The Commission reserves the right not to select any tender if the amounts tendered exceed the budget envisaged for this project.

Reserve clause:

Please note that budgetary implementation in 2008 is subject to the following condition(s):

- * Approval of the annual work programme for 2008

7. Opening of tenders

The tenders received will be opened on **14/07/2008 at 10h30** in the Commission building at **Avenue Beaulieu 5, B-1160 Brussels**.

One authorised representative of each tenderer (with proof of identity) may attend the opening of tenders (no expenses paid).

8. Information for tenderers

After the award decision has been taken, the Commission will inform tenderers including the grounds for any decision not to award a contract or to recommence the procedure.

ANNEX 1 - ADMINISTRATIVE INFORMATION FORM

Organisation or individual:

NAME:

ADDRESS:

HEADQUARTERS:

PERSON AUTHORISED TO SIGN CONTRACT:

Name and position:

PERSON FOR ROUTINE CONTACT:

Name and position:

Telephone and fax number:

BANK DETAILS:

NAME OF ACCOUNT HOLDER:

ADDRESS OF ACCOUNT HOLDER:

NAME OF BANK:

ADDRESS OF BANK AGENCY:

ACCOUNT N°:

(BLZ, SORT CODE, ?):

I.B.A.N. CODE:

Signature of Contractor

Official Stamp and Signature
of Contractor's Bank

ANNEX 2 - FINANCIAL OFFER TEMPLATE

(FOR GUIDANCE PURPOSES ONLY)

PRICE AND ESTIMATED BUDGET BREAKDOWN

Calculation of the costs

Name	Staff on payroll		Other statute	Time in %	Total year /	TOTAL
	Gross salary	Social charges				
...						
... etc.						
Staff costs						
Infrastructure						
Overhead costs including office material and consumables						
Office Equipment						
Travel/Missions						
Sub-contracting						
Company x						
Company y						
Company z						
Other						
TOTAL COSTS in EURO					€	

Signature of Contractor

.....

Date

.....

ANNEX 3 - LEGAL ENTITY FORM

This form can be downloaded from

http://ec.europa.eu/budget/execution/legal_entities_en.htm

ANNEX 4

DECLARATION ON EXCLUSION CRITERIA AND ABSENCE OF CONFLICT OF INTERESTS

Name of the organisation/individual:

Legal address:

Registration number:

VAT number:

Name of the signatory of this form:

Position:

- representative legally authorised to represent the tenderer vis-à-vis third parties and acting on behalf of the aforementioned company or organisation *[please tick box if applicable]*

hereby certifies that *[please tick one of the two boxes]*

- they
- the company or organisation that they represent:
- a) are/is not bankrupt or being wound up, is not having their affairs administered by the court, has not entered into an arrangement with creditors, has not suspended business activities, is not the subject of proceedings concerning those matters, or is not in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) have/has not been convicted of an offence concerning their professional conduct by a judgement which has the force of *res judicata*;
- c) have/has not been found guilty of grave professional misconduct proven by any means which the Commission can justify;
- d) have/has fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or those of the country of the contracting authority or those of the country where the contract is to be performed;
- e) have/has not been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- f) are/is not currently not subject to an administrative penalty referred to in [Article 96\(1\)](#).

In addition, the undersigned declares on their honour:

- g) that on the date of submission of the tender, they, the company or organisation they represent and the staff proposed for this tender are not subject to a conflict of interests in the context of this invitation to tender; the undersigned undertakes to inform the Commission without delay of any change to this situation after the date of submission of the tender;
- h) that the information provided to the Commission within the context of this invitation to tender is accurate, sincere and complete;
- i) **that, if and when requested, they will provide the evidence required under point 1, part 3 of the Specifications.**

Full name:

Date

Signature:

ANNEX 5

Explanation – please read carefully before completing the financial capacity form

Simplified balance sheet and profit and loss account

Candidates shall indicate if they are a profit or a non profit making company / organisation.

Within the form, financial data based on the company's /organisation's balance sheet are collected in a standardised form. Please find below a correspondence table giving an explanation on the regrouping of different accounts respecting the [4th Accounting Directive](#). You should complete this form carefully. Given its complexity, it is recommended that the form be completed by a professional accountant or an auditor. The data reported will be used to evaluate the financial viability of the company/organisation. Thus it is very important that data reported are accurate. The Commission may wish to cross check the data with those reported in the official certified accounts. For this purpose the Commission reserves the right to ask for further documentation during the evaluation process.

The amounts have to be filled out in euros ([use the exchange rate of the closing date of the accounts](#)).

Abbreviations t-1 and t0

The abbreviation *t0* represents the last certified historical balance sheet and profit and loss account; *t-1* is the balance sheet prior to the last certified one. Consequently, the *closing date t0* is the closing date of the last certified historical balance sheet; the *closing date t-1* is the closing date of the balance sheet prior to the last one. *Duration t0* is the number of months covered by the last historical balance sheet. *Duration t-1* is the number of months covered by the penultimate certified historical balance sheet.

BALANCE SHEET	CORRESPONDANCE 4 th ACCOUNTING DIRECTIVE	
ASSETS	ASSETS / 4th ACCOUNTING DIRECTIVE (Article 9)	
1. Subscribed capital unpaid	A. Subscribed capital unpaid	A. Subscribed capital unpaid (including unpaid capital)
2. Fixed assets	C. Fixed Assets	
2.1. Intangible fixed assets	B. Formation expenses as defined by national law C. I. Intangible fixed assets	B. Formation expenses as defined by national law C.I.1. Cost of research and development C.I.2. Concessions, patents, licences, trade marks and similar rights and assets, if they were: (a) acquired for valuable consideration and need not be shown under C (I) (3); or (b) created by the undertaking itself C.I.3. Goodwill, to the extent that it was acquired for valuable consideration C.I.4. Payments on account
2.2. Tangible fixed assets	C.II. Tangible fixed assets	C.II.1. Land and buildings C.II.2. Plant and machinery C.II.3. Other fixtures and fittings, tools and equipment C.II.4. Payment on account and tangible assets in course of construction
2.3. Financial assets	C.III. Financial assets	C.III.1. Shares in affiliated undertakings C.III.2. Loans to affiliated undertakings C.III.3. Participating interests C.III.4. Loans to undertakings with which the company is linked by virtue of participating interest C.III.5. Investments held as fixed assets C.III.6. Other loans C.III.7. Own shares (with an indication of their nominal value or, in the absence of a nominal value, their accounting par value)
3. Current assets	D. Currents assets	
3.1. Stocks	D.I. Stocks	D.I.1. Raw materials and consumables D.I.2. Work in progress D.I.3. Finished products and goods for resale D.I.4. Payment on account
3.2.1. Debtors due after one Year	D.II. Debtors, due and payable after more than one year	D.II.1. Trade debtors D.II.2. Amounts owed by affiliated undertakings D.II.3. Amounts owed by undertakings with which the company is linked by virtue of participating interest D.II.4. Others debtors D.II.6. Prepayments and accrued income
3.2.2. Debtors due within one year	D.II. Debtors due and payable within a year	D.II.1. Trade debtors D.II.2. Amounts owed by affiliated undertakings D.II.3. Amounts owed by undertakings with which the company is linked by virtue of

		participating interest D.II.4. Others debtors D.II.6. Prepayments and accrued income
3.3. Cash at bank and in hand	D.IV. Cash at bank and in hand	D.IV. Cash at bank and in hand
3.4. Other current assets	D.III Investments	D.III.1. Shares in affiliated undertakings D.III.2. Own shares (with an indication of their nominal value or, in the absence of a nominal value, their accounting par value) D.III.3. Other investments
Total assets	Total assets	

LIABILITIES	LIABILITIES / 4th ACCOUNTING DIRECTIVE (Article 9)	
4. Capital and reserves	A. Capital and reserves	
4.1. Subscribed capital	A.I. Subscribed capital A.II. Share premium account	A.I. Subscribed capital A.II. Share premium account
4.2. Reserves	A.III. Revaluation reserve A.IV. Reserves	A.III. Revaluation reserve A.IV.1. Legal reserve, in so far as national law requires such a reserve A.IV.2. Reserve for own shares A.IV.3. Reserves provided for by the articles of association A.IV.4. Other reserves
4.3. Profit and loss brought forward from the previous years	A.V Profit and loss brought forward from the previous years	A.V Profit and loss brought forward from the previous years
4.4. Profit and loss for the Financial year	A.VI. Profit or loss for the financial year	A.VI. Profit or loss for the financial year
5. Creditors	C. Creditors	
5.1.1 Long term non-bank debt	B. Provisions for liabilities and charges (> one year) C. Creditors (> one year)	B.1. Provisions for pensions and similar obligations B.2. Provisions for taxation B.3. Other provisions C.1. Debenture loans, showing convertible loans separately C.3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks C.4. Trade creditors C.6. Amounts owed to affiliated undertakings C.7. Amounts owed to undertakings with which the company is linked by virtue of participating interests C.8. Other creditors including tax and social security C.9. Accruals and deferred income
5.1.2. Long term bank debt	C. Creditors "credit institutions" (> one year)	C.2. Amounts owed to credit institutions C.5. Bills of exchange payable
5.2.1. Short term non-bank Debt	B. Provisions for liabilities and charges (= one year) C. Creditors (= one year)	B.1. Provisions for pensions and similar obligations B.2. Provisions for taxation B.3. Other provisions C.1. Debenture loans, showing convertible loans separately C.3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks C.4. Trade creditors C.6. Amounts owed to affiliated undertakings C.7. Amounts owed to undertakings with which the company is linked by virtue of participating interests C.8. Other creditors including tax and social security C.9. Accruals and deferred income
5.2.2. Short term bank debt	C. Creditors "credit institutions" (= one year)	C.2. Amounts owed to credit institutions C.5. Bills of exchange payable
Total liabilities	Total liabilities	

PROFIT AND LOSS ACCOUNT	PROFIT AND LOSS ACCOUNT / 4TH ACCOUNTING DIRECTIVE (Article 23)	
6. Turnover	1. Net turnover	1. Net turnover
7. Variation in stocks	2. Variation in stock of finished goods and in work in progress	2. Variation in stocks of finished goods and in work in progress
8. Other operating income	3. Work performed by the undertaking for its own purposes and capitalized. 4. Other operating income	3. Work performed by the undertaking for its own purposes and capitalized 4. Other operating income
9. Costs of material and consumables	5. (a) Raw materials and consumables 5. (b) Other external charges	5. (a) Raw materials and consumables 5. (b) Other external charges

10. Other operating charges	8. Other operating charges	8. Other operating charges
11. Staff costs	6. Staff costs	6. (a) Wages and salaries 6. (b) social security costs, with a separate indication of those relating to pensions
12. Gross operating profit	Gross operating profit .	
13. Depreciation and value adjustments on non financial assets	7. Depreciation and value adjustments on non financial assets	7. (a) Value adjustments in respect of formation expenses and of tangible and intangible fixed assets 7. (b) Value adjustments in respect of current assets, to the extent that they exceed the amount of value adjustments which are normal in the undertaking concerned
14. Net operating profit	Gross operating profit - Depreciation and value adjustments on non-financial assets	
15. Financial income and value adjustments on financial assets	Financial income and value adjustments on financial assets	9. Income from participating interests 10. Income from other investments and loans forming part of the fixed assets 11. Other interest receivable and similar income 12. Value adjustments in respect of financial assets and of investments held as current assets
16. Interest paid	Interest paid	13. Interest payable and similar charges
17. Similar charges	Similar Charges	
18. Profit or loss on ordinary activities	Profit or loss on ordinary activities	15. Profit or loss on ordinary activities after taxation
19. Extraordinary income and Charges	Extraordinary income and charges	16. Extraordinary income 17. Extraordinary charge
20. Taxes on profits	Taxes	14. Tax on profit or loss on ordinary activities 19. Tax on extraordinary profit or loss 20. Other taxes not shown under the above items
21. Profit or loss for the financial year	Profit or loss for the financial year	21. Profit or loss for the financial year

Annex 5 FORM to be completed

Simplified balance sheet and profit and loss account for the determination of financial capacity

Applicant name	<input type="text"/>	Type company	of	<input type="text"/>	<input type="text"/>
	<input type="text"/>		<input type="text"/>	Profit making	<input type="text"/>
	<input type="text"/>			Non profit making	<input type="text"/>
Closing date t0	<input type="text"/>	Duration t0	<input type="text"/>	months	
Closing date t-1	<input type="text"/>	Duration t-1	<input type="text"/>	months	

Balance sheet		
Assets	t0 (in Euro)	t-1 (in Euro)
1. Subscribed capital unpaid	<input type="text"/>	<input type="text"/>
2. Fixed assets (2.1+2.2+2.3)	0	0
2.1 Intangible fixed assets	<input type="text"/>	<input type="text"/>
2.2 Tangible fixed assets	<input type="text"/>	<input type="text"/>
2.3 Financial assets	<input type="text"/>	<input type="text"/>
3. Current assets (3.1+3.21+3.22+3.3+3.4)	0	0
3.1 Stocks	<input type="text"/>	<input type="text"/>
3.2.1 Debtors due after one year	<input type="text"/>	<input type="text"/>
3.2.2 Debtors due within one year	<input type="text"/>	<input type="text"/>
3.3 Cash at bank and in hand	<input type="text"/>	<input type="text"/>
3.4 Other current assets	<input type="text"/>	<input type="text"/>
Total assets (1+2+3)	0	0

Liabilities	t0 (in Euro)	t-1 (in Euro)
4. Capital and reserves (4.1+4.2+4.3+4.4)	0	0
4.1 Subscribed capital	<input type="text"/>	<input type="text"/>
4.2 Reserves	<input type="text"/>	<input type="text"/>
4.3 Profit and loss brought forward	<input type="text"/>	<input type="text"/>
4.4 Profit and loss for the financial year	<input type="text"/>	<input type="text"/>
5. Creditors (5.11+5.12+5.21+5.22)	0	0
5.1.1 Long term non-bank debt	<input type="text"/>	<input type="text"/>
5.1.2 Long term bank debt	<input type="text"/>	<input type="text"/>
5.2.1 Short term non-bank debt	<input type="text"/>	<input type="text"/>
5.2.2 Short term bank debt	<input type="text"/>	<input type="text"/>
Total liabilities (4+5)	0	0

Profit and loss

	t0 (in Euro)	t-1 (in Euro)
6. Turnover		
7. Variation in stocks		
8. Other operating income		
9. Costs of material and consumables		
10. Other operating charges		
11. Staff costs		
12. Gross operating profit (6.+7.+8.-9.-10.-11.)	0	0
13. Depreciation and value adjustments on non-financial assets		
14. Net operating profit (12.-13.)	0	0
15. Financial income and value adjustments on financial assets		
16. Interest paid		
17. Similar charges		
18. Profit/loss on ordinary activities (14+15.-16.-17.)	0	0
19. Extraordinary income and charges		
20. Taxes on profit		
21. Profit/loss for the financial year (18.+19.-20.)	0	0

ANNEX 6



EUROPEAN COMMISSION
DIRECTORATE-GENERAL ENVIRONMENT

DIR F- RESOURCES
ENV.F.2 – Finance

(Please fill in your address)

ACKNOWLEDGEMENT OF YOUR TENDER

Our reference: ENV.C.4/SER/2008/0019 (indicate which lot you are bidding for – lot n° ____)

Your reference:

We wish to confirm the receipt and opening of your offer¹. Your offer will now be evaluated by the Commission and its experts. You will be informed of the result in due course.

We thank you for your interest.

MarketsTeam
DG ENV.F.2

¹ Your personal contact data has been recorded in a database used by the Markets Team of unit ENV.F2 for the administrative management of offers. The Commission is bound by Regulation 45/2001 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies. For more information, and to exercise your rights to access and eventually correct data concerning you, please don't hesitate to contact us.

ANNEX 7

CHECK LIST

1. Administrative information form filled in
2. Financial offer duly signed
3. Legal entity form completed and signed
4. Declaration of the candidate's eligibility regarding exclusion criteria, completed, signed and dated
5. Supporting documents for selection criteria
6. Acknowledgement form with candidate's address
7. Technical bid
8. Possible annexes