

Questions and Answers on the NER 300 Programme and the first Call for Proposals (24/03/2011)

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

231) Could the European Commission provide more details on the calculation of CPUP?

The Procedures Manual- Appendix A8 presents the calculations to be undertaken when deriving the CPUP for (i) CCS demonstration Projects and (ii) RES demonstration Projects by explaining the relevant algebra for CCS and RES demonstration Projects, noting its linkages to the Decision, explaining where the necessary information is located within the Member State Submission Forms, and suggesting validation where applicable.

232) Can you confirm that loan fees costs can be part of Relevant Costs for NER 300 funding?

Loan fees are not considered relevant costs under the NER 300 (see also Question 174).

233) Pursuant to the answer given to Question 84, wind turbines optimised for complex terrains will need to demonstrate "substantial technological improvement or innovative features which are specific to wind turbines". Could you specify what is meant by this?

Project Sponsors and Member States should refer to Annex 6.II, para 5 of the Call for Proposals, which provides guidance on how to determine whether a Project is innovative.

234) Do the service periods specified in Article 3(2) and (3) of the NER 300 Decision refer to calendar years?

The service periods depend on the date of entry into operation of the plant, which does not necessarily coincide with the start of the calendar year.

235) Should the definition of the Reference Plant also include assumptions on the revenues side (e.g. electricity price in €/kWh)?

Yes. The Commission has provided additional guidance on the determination of adequate reference plants (see http://ec.europa.eu/clima/funding/ner300/docs/presentation_en.pdf and http://ec.europa.eu/clima/funding/ner300/docs/reference_plants_en.pdf).

236) Could power generation by geothermal fluids stored in submarine volcanic rocks be eligible under the geothermal energy Project category pursuant to Annex I Part A. II. of the NER 300 Decision?

A Project based on an enhanced geothermal power generating system using geothermal fluids stored in submarine volcanic rocks could be eligible as long as it fits in one of the geological settings described under the geothermal Project subcategories in Annex I of the NER 300 Decision.

237) Does lignocellulose have to be the only input to generate synthesis gas, or could a Project in which lignocellulose represents only a part of the input also be eligible for NER 300 funding pursuant to Annex I Part A., II. of the NER 300 Decision?

Under the bioenergy subcategories relating to lignocellulose processing, other input streams than lignocellulosic feed stocks can be allowed, as long as the eligibility requirements on capacity threshold and modularity are met. However, for the purpose of determining the energy output and hence the performance of the plant, the energetic value of any non-lignocellulosic input shall be deducted from the gross energy content of the relevant output products (see also Question 129).

238) Could a Project, for which construction works have already been started, be eligible for funding under NER 300?

Yes, as long as it fulfils the eligibility criteria pursuant to Article 6 of the NER 300 Decision. However, a Project which enters into operation before the NER 300 Award Decision will be excluded from funding under NER 300 (see also Questions 126 and 127).

239) At what point in time will the Legally Binding Instruments have to be put in place?

The Legally Binding Instruments will have to be put in place after the adoption of the Award Decisions and prior to the commencement of funding disbursement, see Article 11(1) of the NER 300 Decision.

240) Could you provide more precise information on what is meant by "difficult access and/or installation conditions" in the clarifications set out in Annex 3, point 5, p. 42, of the Call for Proposals?

The term "difficult access and/or installation conditions" means that the access and/or installation conditions under which the proposed Plant will be constructed and will operate are such that they do not allow the installation of commercially available turbines.

241) May a parabolic trough or Fresnel system, hybridised with biomass technology, in which an environmentally-benign heat transfer fluid (HTF) is used in the hybridisation process, qualify for the NER 300 programme?

Under the NER 300 Call for Proposals, there are no specific requirements for hybridisation. The requirement 'environmentally benign' in the first subcategory of the concentrated solar power category in Annex I A. II. of the NER 300 Decision applies to the HTF which is to be used within the absorber tubes of the linear collectors. The provisions of the Call for Proposals, section 5.5, related to the installations combining technology sub-elements each of which fits in a different technology Category or Sub-category, may apply.

242) If a RES power plant is built in modules which are successively connected to the grid (all at the same grid connection point), can this be modeled in the cost differential to a reference plant over the first five years?

If a the Project should become operational in phases, for the determination of the Relevant Costs, Project Sponsors should consider the operating costs and benefits according to their respective phase of occurrence during the 5-year service period (see also paragraph 47 of the Call for Proposals on eligibility requirements for modular Projects).

243) Is the full amount of a feed-in-tariff granted by a Member State considered as additional benefit resulting from a support scheme pursuant to Article 3(5) of the NER 300 Decision, or only the differential between the value of the feed-in-tariff and the electricity market reference price?

For the purpose of estimating net operating costs and benefits arising during the first 5 years compared to a conventional production with the same capacity in terms of effective production of energy, the differential between the value of the feed-in tariff and the electricity market reference price needs to be taken into account. The same electricity market reference price as taken into account for estimating the revenues from electricity sales should be used.

244) Where under subcategory BIOh of the Call for Proposals (Annex I A. II., Bioenergy category, 8th sub-category of the NER 300 Decision) household waste is used to produce biogas which is then used to generate electricity on site using a standard combustion engine, there will be electricity and heat as final products. Would the whole project be eligible for NER 300 funding under this subcategory, or does the electricity generating equipment need to be excluded? Can heat output be accounted for in the calculation of Relevant Costs?

The Project boundaries have to take into account the relevant output defined in each Project subcategory pursuant to the NER 300 Decision. Thus if biogas is the relevant output, the electricity generating equipment after biogas production will have to be excluded from NER 300 funding. Similarly, since heat is not considered as a relevant output the heat must not be accounted for the determination of the Plant performance. Pursuant to Article 3(3) of the Decision, the Relevant Costs must be determined against a conventional production of the same capacity in terms of effective production of energy, where effective production relates to the relevant outputs specified in the Call for proposals for the specific subcategory. On the other hand it has to be noted that only

projects based on the implementation of innovative technologies that are currently in the pre-demonstration phase are eligible for funding under the NER300 scheme.

245) In the case of DMR Projects pursuant to Annex I, A. II., 8th category of the NER 300 Decision, may one single Project be located in several non-interconnected islands?

In the case of DMR Projects, a reference network system has to be identified on which the smart grids technologies will be applied. It is expected that this reference network system will be Project-specific. While the provisions for modularity in the Call for Proposals do not apply for DMR Projects, it is expected that the different modules will be connected to a single network system.

246) Can Project Proposals be updated between 9 February and 9 May 2011 with a view to finalising the Proposals for submission to the EIB?

Member States are responsible for finalising the Proposals for submission to the EIB by 9 May 2011. Project Proposals may be updated as necessary for the finalisation of the Proposals between 9 February and 9 May 2011, for instance where the Reference Plant is determined after 9 February 2011 and in case the determination requires an update of the Project Proposal. After this deadline, pursuant to paragraph 137 of the Call for Proposals, Project Sponsors may not change their proposal in substance (see also Question 208).

247) If a Project is situated in a Member State outside the Euro-zone, would that Project receive NER300 funding in Euros or in the national currency of that country?

The Project will receive NER 300 funding in Euros, see Article 11(1) (a) of the NER 300 Decision.

248) Will the EIB provide bank loans for Projects submitted under the NER 300 programme?

Pursuant to Recital 5 of the NER 300 Decision, the financing provided under NER 300 can also be combined with loan financing, e.g. under the Risk-Sharing Finance Facility (RSFF). Loan applications to EIB will be assessed separately from NER 300 Project Applications. The awarding of funds under the NER300 does not automatically entitle the project to EIB loan finance. A loan application will be assessed against the Bank's standard appraisal guidelines and policies.

249) Will the CPUP be compared and ranked in constant prices?

The CPUP will be compared and ranked in constant prices. Costs have to be presented in the Application Form in constant prices. See also Question 210.

250) How is the Final Investment Decision defined in the context of NER 300?

The Final Investment Decision can be interpreted as the ultimate financial close on the proposed investment program, including a life cycle program baseline that establishes cost, schedule, performance, benefits, and risk-management boundaries for program execution.

251) Do the 'investment costs' referred to in Article 3(4) of the NER 300 Decision include a premium to the upfront costs on land, plant and equipment, representing the Project Sponsor's required return on the initial investment?

According to Article 3(4) of the NER 300 Decision, the investment costs of a Project shall cover the investment in land, plant and equipment. The rate of return of the Project shall be indicated in AF12 – Financing. It is not anticipated that any upfront investment costs will be subject to actualisation for the calculation of the Project's investment costs and hence the relevant costs (see also Questions 131 and 210).