

QUESTIONS AND ANSWERS ON THE NER FUNDING PROGRAMME: UK PROCESS: 14 January 2011

All European Documents referenced in this Q&A can be found at:

http://ec.europa.eu/clima/funding/ner300/index_en.htm

- 1) **Will DECC provide some guidance regarding price assumptions of gas, electricity and CO2 and the conversion rate to be used when quoting costs in Euros? Will such price assumptions be predicated on those anticipated to result from the proposed Energy Market Reform?**

We suggest that Project Sponsors consider using the following publicly available data, which we will be using to assess relevant costs in line with the requirement, detailed in Submission Form 4 (4.1.3), that Member States use identical assumption across all Submission Forms submitted. If you have any queries regarding the proposals below, please contact us at occs@decc.gsi.gov.uk as soon as possible, and before the deadline for Project Sponsors of 9 February 2011.

Fossil fuel and price assumptions: Annex F, Fossil fuel and retail price assumptions, DECC

<http://www.decc.gov.uk/en/content/cms/statistics/projections/projections.aspx>

Please use the central price assumptions unless explicitly otherwise asked on the application forms.

Please note that these price assumptions are presented in real terms.

Carbon value assumptions: Updated short term traded carbon values for UK public policy appraisal (June 2010), DECC, page 2

http://www.decc.gov.uk/assets/decc/what%20we%20do/a%20low%20carbon%20uk/carbon%20valuation/1_20100610131858_e_@@_carbonvalues.pdf

Please use the central value assumptions unless explicitly otherwise asked on the application forms.

Please note that these value assumptions are presented in real terms.

Exchange rate: Please use the previous 12 month average to date of the €/\$ spot exchange rate as published by Bank of England

<http://www.bankofengland.co.uk/mfsd/iadb/Index.asp?first=yes&SectionRequired=I&HideNums=-1&ExtraInfo=true&Travel=NIx>

Inflation rate: Latest GDP deflators, HMT

http://www.hm-treasury.gov.uk/data_gdp_fig.htm

Please use the GDP deflators provided by HMT going forward. For years after 2015, please use the 2015 figure.

These assumptions do not take account of the potential outcome of the current consultation on the Energy Market Reform as a decision on final policy will not be taken until later in the year.

2) How will the relevant costs for an IGCC be determined?

The Commission has specified that the reference plant for IGCC CCS projects must be a super-critical coal fired power station. As there is no project data for construction and operation of super-critical coal fired power stations in the UK, we intend to use the costs from the latest Mott Macdonald estimates as our reference plant for IGCC proposals.

Reference plant costs: *UK Electricity Generation Costs Update (June 2010), Mott MacDonald, Appendix A, page 79, First of a Kind, Medium*

<http://www.decc.gov.uk/assets/decc/Statistics/Projections/71-uk-electricity-generation-costs-update-.pdf>

3) Are projects that utilise, rather than store, CO2 eligible for NER funding?

No. The Decision makes it clear that NER funding is for projects that aim at the demonstration of environmentally safe geological storage of CO2.

4) May projects that only comprise part of the CCS chain apply for NER funding?

No. Paragraph 45.1 in Section 5.1.2 of the Call for Proposals states that, "Each CCS project has to implement the full chain (capture, transport and storage)".

5) In DECC's opinion, is the Legally Binding Instrument compliant with English law?

Project Sponsors will need to satisfy themselves that they are able to give the declarations required by AF6 and AF8.7, and that if successful they would be in a position to enter into a contract on the terms set out in the LBI. DECC will be meeting with the Commission to discuss NER funding in the next few weeks, and this will provide an opportunity to raise any concerns about the LBI. Project Sponsors

who have any concerns about the LBI are therefore asked to inform DECC of any issues they have identified, and may leave application form AF6 and section 7 of AF8 blank for the time being.

6) Will DECC provide a list of the national permits required under relevant national and EU legislation in order to construct and operate projects?

No, DECC will not provide such a list; it is the responsibility of Project Sponsors to identify the permits they will require, with DECC's role being to review and verify the list. Project Sponsors should note that the completeness of the information provided about permits may be used as part of our assessment of the deliverability of proposals, as significant omissions may indicate that Projects are not yet sufficiently advanced in their planning.

7) Will DECC require any information relating to the Knowledge Transfer services beyond those outlined in AF6?

For the purposes of the NER, DECC will not require any information beyond what the Commission has requested in the application forms.

8) If Project Sponsors have not yet finalised transport and storage solutions, can they include different solutions in the application, taking into account potential economic differences in their financial plans?

In its additional Q&A published on 08/12.2010, the Commission states that, "Project sponsors should indicate in their application form where there are outstanding issues to resolve and how they plan to resolve those issues" (Q60), which implies that Project Sponsors may put forward transport and storage options. However, Project Sponsors should note that they will have to have finalised their solution and the relevant costs before the end of the EIB's due diligence process as the EIB will require a single costed option on which to base each project's CPUP score (Section 5.2, paragraph 62, Call for Proposals).

9) Under what circumstances can revised versions of application forms other than 1, 2, 6, and 15 be submitted after 9 Feb?

DECC expects Project Sponsors to submit a complete set of application forms on 9 Feb (except that AF6 and AF8.7 may be left blank in the circumstances set out in Q5 above). If Project Sponsors find that there is information required to complete the

form that they do not have, and could not reasonably be expected to have at this point in time, they are asked to raise this with DECC as soon as possible, preferably before submitting their forms. Similarly, if it becomes apparent after submission of forms but before 2 April that information in submitted forms requires updating (and that the new information was not, and could not reasonably have been expected to be, available to the applicant at the time of submission), the applicant should approach DECC at the earliest opportunity to discuss whether an update to its forms is permissible. In either case, we will accept additional information or changes submitted to us only in such cases where we are informed in advance that there are difficulties providing the relevant information and there are valid reasons for being unable to provide this information at an earlier date.

10) Which of the application forms does DECC want in hard copy and which in soft only? How many hard copies will DECC require?

DECC will require 3 hard copies of each of the following application forms:

- AF1
- AF2
- AF3
- AF4
- AF5 – with regard to permitting only
- AF6
- AF7
- AF10
- AF11
- AF12 – with regard to the financing plan only
- AF13
- AF14
- AF15

DECC will require a soft copy of all the information provided in response to the NER application forms. The environmental assessment (AF5), eligibility confirmation (AF8), financial standing information (AF9), and financial model (AF12) may be provided in soft copy only.

11) How will DECC deal with FOI requests for information provided in NER applications?

Information held by DECC may be subject to requests for disclosure to other parties in accordance with the Freedom of Information Act 2000, the Environmental Information Regulations 2004, or the Data Protection Act 1998.

Where an Applicant believes that information it submits is of a confidential or commercially sensitive nature, the Applicant must clearly state this when submitting the relevant information. In considering any request for disclosure of such information under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004, DECC will consider and make use of relevant exemptions or exceptions where they properly apply and, where relevant, will consider whether the public interest in withholding the information outweighs the public interest in disclosing the information. DECC would usually consult and consider the views of an Applicant if information it had supplied were the subject of a request, although decisions on disclosure would ultimately be taken by DECC. However, any decision by DECC against the release of information can be appealed to the Information Commissioner.

12) Can I discuss my proposal for the Demonstration programme with the regulators?

CCS demonstration projects will need a number of consents and approvals to proceed to operation. Applicants are responsible for securing these consents, which are independent of any assessment of applications to the demonstration programme for funding. Applicants or potential applicants are free to embark on appropriate discussions with the respective regulatory authorities, either before applying for funding, or in parallel. One of the relevant regulators is the Energy Development Unit of the Department, but it should be noted that the EDU will not be able to comment on funding issues.

13) Section 3.7 of the DECC guidance document states in reference to upfront funding that:

"However, we are considering whether it would be appropriate to make an exception for the project subject to the existing procurement, and will confirm our approach on this point in due course."

Can DECC please define the terms "the project" and "existing procurement"?

In this statement "the project" refers to the Scottish Power Consortium project, which is being taken forward under the Demonstration 1 workstream, the "existing procurement".