



Department
of Energy &
Climate Change

DECC Guidance on EU Funding Mechanism “NER300” for Carbon Capture and Storage (CCS) Demonstration Projects – Second Call for Proposals

12 April 2013

Introduction

1. On 3 April 2013, the European Commission published its Call for Proposals for the second round of New Entrant Reserve (NER) funding. This note is intended to provide high-level guidance for potential UK applicants, but it does not replace or override the Call for Proposals in any way.
2. Applicants should also refer to the European Commission’s FAQ, which will be available at the same address as the Call for Proposals:
http://ec.europa.eu/clima/funding/ner300/index_en.htm.
3. Where further guidance is referred to in this document, it will be provided directly to all eligible projects shortly.
4. We will be publishing separate guidance for UK applicants for NER funding for renewable demonstration projects.
5. Member States are required to provide the Commission with an interim communication providing information on the projects that they intend to submit within 6 weeks of the publication of the Call. Potential Project Sponsors of CCS projects are, therefore, requested to indicate to DECC their intention to apply, along with a high-level expectation of funding requirements, by 1 May 2013 via ccsdemo@decc.gsi.gov.uk.

Timetable¹

Activity	Deadline
Call for Proposals published	3 April 2013
UK publishes guidance on NER for UK applicants	12 April 2013
Project Sponsors notify DECC of intent to apply	1 May 2013
Project Sponsors submit application forms to DECC	31 May 2013
Member States submit proposals to European Investment Bank (EIB)	3 July 2013
Evaluation, ranking and list of recommended projects provided by EIB to the European Commission	By 3 April 2014, subject to number of Project Applications
European Commission Award Decisions	By 3 September 2014, subject to number of Project Applications (the Commission states that it aims to make the award decisions by mid-2014).

¹ This timetable is based on the information set out in the Call for Proposals. Elements of that timetable are expressed to be indicative and interested parties are advised to check the Commission's NER 300 website regularly for details of any changes to the process. This timetable is therefore subject to any changes made by the Commission to the NER 300 Process.

Eligibility Assessment and Criteria

Eligibility Assessment by Member States

6. Any project applying to the NER process must meet the criteria set out in the European Commission’s Call for Proposals.
7. In addition, Member States may apply their own eligibility criteria and it is for them to determine which projects to support and, therefore, submit to the EIB for consideration. Under the rules of the NER, Member States are allowed to receive funding for up to three projects across both the first and second Calls. Given that the UK has already received funding for two renewable projects under the first Call, the UK can only receive funding from up to one project under this second Call. UK eligibility criteria have therefore been set in order to provide the greatest opportunity for UK CCS projects to receive NER support.
8. The UK Government has made a clear commitment to the development of CCS, and the policy intention remains to develop a cost-competitive CCS industry by the 2020s. On 3 April 2012, the Government launched its new CCS Commercialisation Programme Competition, in order to support practical experience in the design, construction and operation of CCS.
9. On 20 March 2013, the Government announced the preferred and reserve bidders in the Competition. After a rigorous competitive process, the Government has determined that these projects represent the best overall solutions for delivering early commercial-scale CCS in the UK in keeping with the criteria the Government developed for that purpose. Therefore, for the purposes of submitting bids to the EIB, we only intend to support proposals for projects that, on the date submissions are due from Member States (3 July 2013), remain in the UK CCS Competition. No differentiation will be made between proposals from preferred and reserve bidders provided their projects remain in the UK Competition at the time that the UK submits those proposals to the EIB. Proposals which do not meet this criterion will not be submitted to the EIB.
10. Applications will be assessed by DECC staff and, where appropriate, external experts.
11. The devolved administrations may be consulted in respect of any applications coming forward from their areas.

Confirmation Process

12. As set out further in section 5.3-5.4 of the Call, once the selection assessment has been completed, ranked lists of projects will be drawn up and a CCS Group and RES Group formed.
13. Under the rules of the NER, each Member State can receive support for a maximum of three projects across the first and second Calls. The UK has already secured support for two renewable projects, so can only receive funding for one further project.
14. The Call sets out that once the Groups are formed Member States will be asked to re-confirm their support for the projects and the value and structure of the public funding

contribution to the project, if appropriate. When this occurs, we will only re-confirm support for CCS projects that, at that time, remain in the UK's CCS Competition. If a Member State has a number of projects on the list that will take its total above three across the first and second Call, the Member State will determine which project(s) remain on the list. If this occurs in relation to UK projects, should there be both a renewable project(s) and a CCS project(s) (which remains in the UK's Competition) in the Groups, we will prioritise the CCS project(s) to ensure a balanced portfolio. However, this does not exclude renewable projects from applying

15. Should there then be more than one UK CCS project in the UK's CCS Competition and in the Commission's Group, we will prioritise for NER support the project that ranks the highest out of UK projects in the Commission's ranked list.

Cost and Funding

Relevant Costs, Price Assumptions and Conversion Rates

16. Member States are responsible for the calculation of relevant costs, which for CCS projects are defined as those extra investment costs borne by the project due to the application of CCS. As set out in the Member States’ submission forms, these are expected to be determined in association with the Project Sponsor. DECC expects to undertake this calculation during the period 31 May 2013 to 30 June 2013, and for the process for completing the calculation to involve a meeting with each Project Sponsor.
17. Further guidance will be provided to all eligible projects shortly.

Upfront Funding

18. The Call for Proposals states that part or all of the funding for a project, not exceeding 50% of the relevant costs of that project, may be awarded prior to the entry into operation of the project – i.e. for up-front capital costs.
19. However, where projects receive up-front capital, a Member State government must guarantee to cover these costs if the project does not proceed or is unsuccessful in meeting performance and knowledge-sharing requirements.
20. DECC does not anticipate providing this guarantee without adequate recourse to the project. Therefore, UK projects should either only request annual performance payments or be able to offer an adequate guarantee². In the case of the latter, the UK Government reserves the right to refuse to confirm support for the project where it is not satisfied that the guarantee is sufficiently robust.

² Further details on what will constitute an adequate guarantee will be provided to Project Sponsors.

Instructions for Submission of the Proposals

21. Project Sponsors should send their completed application forms by recorded courier delivery in hard copy and also in soft copy on discs or a memory stick to: Mikael Shirazi, DECC, 55 Whitehall Place, London SW1A 2EY by 5pm on 31 May 2013.
22. Project Sponsors should name their files according to the convention set out in paragraph 131 of the Call for Proposals.
23. Project Sponsors are also requested to notify DECC of their intention to apply, along with a high-level expectation of funding requirements, by 1 May via ccsdemo@decc.gsi.gov.uk.

Confirmation and Clarification Process

24. If Project Sponsors have questions of clarification about this guidance note or point of interpretation relating to Member States' role, then they should contact DECC via Mikael Shirazi at ccsdemo@decc.gsi.gov.uk.
25. DECC will answer questions via regular FAQ and ensure that all Project Sponsors have equal and fair access to advice.
26. Where Project Sponsors have questions of clarification for the European Commission, then they should contact DECC who will forward the questions to the European Commission on their behalf.

Freedom of Information

27. 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.
28. Where a Project Sponsor believes that information it submits is of a confidential or commercially sensitive nature, the Project Sponsor 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 a Project Sponsor 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.

Application Forms

29. Further guidance on the completion of the application forms, including the price assumptions and conversion rates that Project Sponsors should use, will be provided to all eligible projects shortly.

