



Department
of Energy &
Climate Change

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

**Supplementary Information for Completing
Application Form C Financial and Costs
Annex C.2**

15 April 2013

Background

1. On 3 April 2013, the European Commission published its Call for Proposals for the second round of NER funding for CCS and Renewables projects. DECC issued high-level guidance for potential UK CCS applicants on 12 April 2013 setting out the process and timings for UK CCS applications.
2. Project Sponsors interested in applying for NER funding are required to submit application forms to DECC by 31 May 2013. Following assessment of these the Member State (DECC) will submit eligible projects to the European Investment Bank on 3 July 2013.
3. As set out in 'Application Form C Financial and Cost'¹, applications must include a Financial Model that shows the cashflows for the CCS project for each year of its life, a calculation of the relevant costs of the project and a cost per unit performance.
4. These submissions are to be underpinned by information provided in the 'Annex C2' spreadsheet. This information includes the investment costs, operational costs and benefits and CO₂ stored by the CCS project and calculations of relevant costs and cost per unit performance.
5. This note provides supplementary information for Project Sponsors to use when completing Annex C2: energy price assumptions, inflation index, exchange rates, discount rates and the reference plant information to use in the case of an Integrated Gasification Combined Cycle (IGCC) plant.

¹ NER funding application forms for CCS projects can be downloaded from: http://ec.europa.eu/clima/funding/ner300/index_en.htm under III) Documents - 'Carbon capture and storage (CCS)'

Guidance for Calculating Relevant Costs

6. Relevant costs for CCS projects are defined under the Decision² as those investment costs which are borne by the project due to the application of CCS net of the net present value of the best estimate of operating benefits and costs arising due to the application of CCS during the first 10 years of operation.

Assumptions: Energy Prices, Inflation, Exchange Rates and Discount Rates

7. In undertaking their calculation of relevant costs, Project Sponsors should use the following assumptions (where appropriate) in assessing the investment costs and NPV of operating benefits and costs for their CCS project:

- wholesale electricity prices from DECC’s 2012 Updated Energy and Emissions Projections (Annex F)

<https://www.gov.uk/government/publications/2012-energy-and-emissions-projections>

- fossil fuel prices (tables 16-19), retail fuel prices (tables 4-8), carbon prices (table 3), GDP deflator index and exchange rates (table 20) from DECC’s Appraisal Guidance Tables

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/68944/Tables_1-20.xlsx

- discount rate – the form ‘AF C Financial Costs Annex C.2’ provides a link to the latest EC published rate for the UK

A spreadsheet summarising these assumptions is available at:

<https://www.gov.uk/government/publications/decc-guidance-on-eu-funding-mechanism-ner300-for-carbon-capture-and-storage-ccs-demonstration-projects-second-call-for-proposals>

8. Unless explicitly asked otherwise on the application forms, central value assumptions should be used. Please note that the assumptions for electricity, fuel and carbon prices are presented in real terms in 2012 prices.

Use of Reference Plants in Calculating Relevant Costs (IGCC Plant)

9. As with the First Call, the Commission has specified that for IGCC pre-combustion CCS projects, a reference plant should be used to calculate relevant costs. The Commission has indicated that this must be a supercritical coal-fired power plant without CO₂ capture, transport and storage, sized to an equivalent output.

² Article 3(2) http://ec.europa.eu/clima/funding/ner300/docs/c_2010_7499_en.pdf

10. For IGCC projects, we intend to use the costs of the reference plant from Parsons Brinkerhoff estimates:

<https://www.gov.uk/government/publications/electricity-generation-cost-model-update-of-non-renewable-technologies-2012>.

Specifically, we intend to use Coal ASC with FGD costs, First of a kind, Medium (see Appendix A, p.45).

Confirmation and Clarification Process

11. 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.
12. DECC will answer questions via regular FAQ and ensure that all Project Sponsors have equal and fair access to advice.
13. Where Project Sponsors have questions of clarification for the European Commission, then they should also contact DECC who will forward the questions to the European Commission on their behalf.

Freedom of Information

14. 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.
15. 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 an 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.

