

The Clean Fuels Fund

Building New Domestic Production Capacity
Call for Project Proposals for Indigenous-led Projects

Pre-Launch Information Webinar

December 10, 2021



Setting the Stage

- Clean Fuels Overview
- Indigenous Request For Information (RFI) Results
- Clean Fuels Fund (Indigenous-led Projects)
 - General Parameters
 - Eligible Recipients
 - Proposal Documentation
 - Mandatory and Merit Criteria
 - Reporting Requirements
 - Repayability Conditions
 - Timelines
- Next Steps and Questions

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Clean Fuels Fund Overview

Budget 2021 re-affirmed an investment of **\$1.5B*** to establish a **Clean Fuels Fund**

- **\$1.38B** to support for build out new or expansion of existing **clean fuel production capacity** (feasibility and FEED studies as well as capital support for built-out);
 - **\$250M** has been notionally allocated to fund Indigenous-led projects
- **\$30.4M** to support the **establishment of biomass supply chains**; and
- **\$19.4M** to support the **development of critical codes, standards, and regulations**

The remainder of this presentation is focused on the upcoming call for project proposals for Indigenous **production projects**

- Information and call for **proposals for biomass supply chains** will follow in the spring 2022
- The **development codes and standards** will done through codes and standards committees that are already in place

***Includes funding for transfer payments, as well as operating funds**

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EXPECTED RESULTS



Contribute to **GHG reductions** in 2030



Create **jobs** and leverage private sector **investments**



Improve **gender and diversity** data on clean fuels sector



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Summer 2021 Request For Information

- To collect information, assess project readiness and gauge interest in a call for project proposals for indigenous-led projects, an RFI was held in summer 2021
- The program received 10 separate submissions
 - 15 projects in QC, ON, SK, AB, BC and NT
 - 6 production projects (3 H₂, 1 H₂ and ammonia, 1 ammonia, 1 renewable natural gas)
 - 8 feasibility projects
 - 1 biomass project
- Information collected through the RFI has informed the design of a dedicated call for project proposals for indigenous-led projects



General Parameters - Building New Domestic Production Capacity

- A **Call for Project Proposals**, with **continuous intake until end of May 2022**, is expected to launch in late December 2021.
- Eligible clean fuel types include, but are not limited to: hydrogen (H₂), ethanol, renewable diesel, co-processing of bio-crude, sustainable aviation fuel, and renewable natural gas (RNG)
- Support for Feasibility Projects - **75% of total eligible project costs** to a **maximum of \$5M** per project
- Support for Production Projects - **50% of total eligible project costs** to a **maximum of \$150M** per project
- Applicants can apply for support for both feasibility study and the associated production facility build-out project in a **single application**.
- Projects must be **fully completed by March 31, 2026 (commissioned for Production projects)**

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General Parameters - Building New Domestic Production Capacity

- Evaluation of indigenous applications are undertaken as applications are received.
- Successful applicants for feasibility and feed studies, could secure **conditional approval** for the funding required for the related construction phase of a project subject to results of the feasibility study
- **Support to translate** applications from the proponent's **language of choice** to one of the official languages
- Payment schedules that allow for **more frequent payments**
- **Indigenous representation** on the review committee
- Contribution will be **non-repayable** to Indigenous controlled businesses or organizations who do not permit dividends to be paid or distributed to stakeholders or who do not make a profit
- **Stacking allowable**: total Canadian government contributions are allowable **up to 100%**
- Applications will be accepted via email or regular mail

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Eligible Recipients

Indigenous organizations or registered Indigenous Businesses or Communities including not-for-profit and for-profit organizations that can demonstrate a minimum of 50% Indigenous ownership such as:

- Indigenous communities
- Development corporations
- Private sector companies
- Industry associations
- Electricity or gas utilities
- Research associations
- Standards organizations
- Academic institutions

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Mandatory Criteria

Projects **must meet all mandatory criteria** in order to be considered for funding.

- Project Eligibility
- Minimum Production Capacity
- Commercial Deployment
- Project Financing
- Cost Tracking and Accounting Systems
- Project Completion
- Supply and Off-take Plans
- Benefits to Indigenous communities
- Feedstock Sustainability (for projects with biomass feedstocks)
- Fuel Carbon Intensity (CI) thresholds

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Merit Criteria

Projects meeting the mandatory criteria, will be evaluated against a comprehensive series of **merit criteria**.

Production Projects:

- Technical Merit (30%)
- Financial Feasibility (24%)
- Supply and Off-take Agreements (10%)
- Project Timing and Readiness (22%)
- Partnerships and Benefits to Indigenous Communities (14%)

Feasibility Projects

- Technical Merit (30%)
- Financial Feasibility (24%)
- Project Timing and Readiness (32%)
- Partnerships and Benefits to Indigenous Communities (14%)

To be eligible for funding, **a project must achieve at least 70%** in the evaluation of merit criteria



RFP Documentation

Business Information

- Baseline data (e.g. address, organization capacity, % Indigenous ownership)
- Workforce Gender, Diversity and Inclusion information, or public commitment, if required
- Outstanding legal actions and project partnerships

Project Budget Information

- Project contributions (all sources of funding)
- Detailed cost breakdown and audited financial documents/statements

Project Information

- Baseline Opportunity Assessment
- Type and capacity of fuel production facility
- Project title and overview (non-confidential)
- Project locations
- Project primary objectives
- Co-benefits
- Dates of planned project
- Business Plan (short summary)
- Proponent capacity to deliver projects (overview)
- Anticipated jobs created
- Anticipated fuel carbon intensity



RFP Documentation – Mandatory

Italicized information or documents not required for Feasibility Projects

DOCUMENTATION	DESCRIPTION	TEMPLATE
Baseline Opportunity Assessment (BOA)	<p><i>The BOA must contain all the relevant indicators:</i></p> <ul style="list-style-type: none"> <i>• Project location</i> <i>• A detailed description of the production method(s)</i> <i>• A detailed description calculations of the life cycle carbon intensity of fuel</i> <i>• Provide the annual fuel volume produced and associated cost of fuel per unit of energy over the lifecycle of the project (on a yearly basis)</i> <i>• Demonstrate how the project ensure feedstock sustainability (for projects with biomass feedstock)</i> <i>• Provide a detailed market analysis and assessment</i> <i>• Feedstock sustainability (for projects with biomass feedstocks)</i> 	<i>NO (guidance provided)</i>
Proof of Business Incorporation or Registration	Provide business incorporation or registration details	NO
Capacity to Deliver Projects	Include background information about the company	NO

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RFP Documentation – Mandatory (cont'd)

Italicized information or documents not required for Feasibility Projects

DOCUMENTATION	DESCRIPTION	TEMPLATE
Business Plan	<p>Applicant must provide:</p> <ul style="list-style-type: none"> Detailed technical description of the project Financial indicators Detailed internal letters of commitment (re. resources, financing and timelines) Applicant's goals; Problems and solutions the project proposal aims to address Feedstock sustainability attestation and plan (if applicable) Financial forecasting (includes anticipated job creation, earnings or cost savings) Cost estimate that meets or exceeds a Class-3 level as per the American Association of Cost Engineers (AACE) Cost Estimate Classification System External and internal project risks and mitigation Details indicating how the % of Indigenous ownership will be maintained over time Other items relevant to the project 	NO (guidance provided)
Applicant Attestation	Include an attestation that all project information provided is accurate	YES

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RFP Documentation – Mandatory (cont'd)

Italicized information or documents not required for Feasibility Projects

DOCUMENTATION	DESCRIPTION	TEMPLATE
Financial Statements	<ul style="list-style-type: none"> Audited or Reviewed Financial Statements or statements certified by CFO Recent interim financial statements Confirmation of Financing (term sheets) Attestation of Internal Financing <i>Project Budget and Cash Flow Forecast for the next ten fiscal years</i> 	NO (guidance provided)
<i>Feedstock Supply and Fuel & CO2 (if applicable) Off-take Plans</i>	<p><i>Proponent must demonstrate:</i></p> <ul style="list-style-type: none"> <i>Type of agreements and detailed description</i> <i>Parties involved in the agreement</i> <i>Minimum 3 year plan</i> 	NO
Key Milestones and Timelines	Provide the key milestones or the critical path for each proposed project.	NO (guidance provided)



RFP Documentation – Mandatory (cont'd)

Italicized information or documents not required for Feasibility Projects

DOCUMENTATION	DESCRIPTION	TEMPLATE
Project Budgets and Contributions	Includes all levels/types of project funding	NO (guidance provided)
Detailed Project Cost Breakdown	Description of all eligible and non eligible expenditures	NO (guidance provided)
Information on Partnerships	Letters confirming commitments from partners / suppliers must include: <ul style="list-style-type: none"> • Type of partnership and detailed description • Parties involved in the partnership • Partnership length 	NO
D&I Plan	General Information on how the project will integrate a D&I plan into their project	YES
Indigenous Ownership	Applicants will be asked to provide documentation to substantiate that businesses meet the mandatory requirement of 50% ownership. Further clarification for required documentation will be provided to applicants following feedback from our Indigenous Partners.	NO

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Mandatory Criteria

CRITERIA	REQUIREMENT	DOCUMENTATION
Project Eligibility	New / expanded / converted clean gaseous or liquid fuel production in Canada	Project Description, Business Plan
Minimum Production Capacity	<ul style="list-style-type: none">• 15 million liters ML per year for liquid clean fuels;• 30,000 GJ per year for renewable natural gas;• 30,000 GJ per year for hydrogen from biomass gasification;• 500,000 GJ per year for hydrogen from natural gas, or petroleum, with carbon abatement; and,• 1.5 MW of installed capacity for hydrogen produced using electrolyzers.	Project Description, Project Summary

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Mandatory Criteria (cont'd)

CRITERIA	REQUIREMENT	DOCUMENTATION
Commercial Deployment	Commercially available fuel production equipment (TRL9)	Project Description, Project Design
Project Financing (Production)	<ul style="list-style-type: none"> Minimum 25% firm financing (at time of application) Maximum 25% From other sources – conditional or not yet secured <ul style="list-style-type: none"> All funding must be secured through firm financing prior to signing of contribution agreements Maximum 50% Program Funding 	Business Plan, Confirmation of Financing
Project Financing (Feasibility)	<ul style="list-style-type: none"> Minimum 25% firm financing (at time of application) <ul style="list-style-type: none"> All funding must be secured through firm financing prior to signing of contribution agreements Maximum 75% Program Funding 	Business Plan, Confirmation of Financing

Mandatory Criteria (cont'd)

Italicized information or documents not required for Feasibility studies

CRITERIA	REQUIREMENT	DOCUMENTATION
Cost Tracking and Accounting Systems	Demonstrate how project costs and milestones will be tracked, and describe accounting system	Business Plan
<i>Supply and Off-take Plans</i>	<i>Minimum 3-year plans describing feedstock supply and fuel off-take plans (and CO2 off-take, if applicable)</i>	<i>Supply / Off-take Plans, Agreements / Contracts</i>
Benefits to Indigenous Communities	Diversity and Inclusion (D&I) Anticipated number of jobs (construction, and operation) Benefits that promote relationship to the land	D&I Plan
Fuel Carbon Intensity (CI)	Maximum produced fuel CI <ul style="list-style-type: none"> Liquid fuels must be <50 gCO2e/MJ Gaseous fuels must be <36 gCO2e/MJ 	Detailed LCA using GHGenius V 5.01

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Merit Criteria – Technical

Italicized information or documents not required for Feasibility studies

CRITERIA	ASSESSMENT	DOCUMENTATION
<i>Completion of Feasibility / FEED Studies*</i>	<i>Completed Feasibility or FEED Studies</i>	<i>Feasibility / FEED Study</i>
Project Technical Risk Assessment	Project assessment of risk and mitigation efforts (scale/type)	Project Technical Risk and Mitigation Analysis
Carbon Intensity (CI) of Fuel Beyond Minimum Requirement	Degree that the CI is lower than the minimum requirement	Detailed LCA using GHGenius V 5.01
Project Capacity Beyond Minimum	Percentage of project capacity above mandatory minimum	Project Description, Project Design
Cost per Unit of Production of Fuel	Projected cost of fuel production over facility life	Business Plan, Estimated Cash Flows

*completed Feasibility / FEED studies required for projects applying for **production only**

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Merit Criteria – Financial

CRITERIA	ASSESSMENT	DOCUMENTATION
Market Analysis and Assessment	Market strategy and impact of project, commercial risks, projected end-use markets, projected growth	Business Plan, Estimated Cash Flows
Projection of Project Profits	5-year projection of estimated cash-flows	Business Plan, Estimated Cash Flows
Company Financial Strength	Assessment of companies financial strength	Audited Financial Statements
Amount of Confirmed Financing	Percentage of funding beyond-minimum requirement	Project Budget, Business Plan, Financing Commitments
Quality of Confirmed Financing	Conditional vs firm financing and source of funding	Project Budget, Business Plan, Financing Commitments
Leveraged Investments	Percentage of private vs public project financial support (more private is better)	Project Budget, Business Plan, Financing Commitments
Outstanding lawsuits	Declaration of any outstanding legal challenges	Tombstone data

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Merit Criteria – State-of-Readiness

Italicized information or documents not required for Feasibility studies

CRITERIA	ASSESSMENT	DOCUMENTATION
<i>Environmental Assessment</i>	<i>State of EA, or evidence that one is not required</i>	<i>Project Description, Project Plan</i>
<i>Permitting, Regulatory Approvals (if available/required)</i>	<i>State of Permitting / Regulatory Approvals</i>	<i>Project Description, Project Plan, BOA</i>
Project Team Expertise	Project team's expertise on similar type of projects.	Project team / EPC Partner Information
Project Team Experience	Project team's experience with similar projects (scale / type)	Project team / EPC Partner Information
Project Timeline	Reasonableness of project timeline	Detailed project plan
Project Schedule Risk Mitigation	Identification of risks to project schedule and mitigation efforts	Project Plan Risk and Mitigation Analysis

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Merit Criteria – Supply/Feedstock and Off-Take

Italicized information or documents not required for Feasibility studies

CRITERIA	ASSESSMENT	DOCUMENTATION
<i>Duration of Supply Plans</i>	<i>Duration of the plans/agreements beyond the minimum</i>	<i>Supply plans/ contracts/ letters of support</i>
<i>Duration of Off-Take Plans</i>	<i>Duration of the plans/agreements beyond the minimum</i>	<i>Off-take plans/ agreements contracts/ letters of support</i>
<i>Certainty of Off-Take / Supply Plans</i>	<i>Certainty of Off-take / Supply Plans/Agreements (e.g., contracts vs. letter of support)</i>	<i>Contracts, letters of support</i>

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Merit Criteria – Partnerships and Socio-Economic Benefits

MERIT CRITERIA	ASSESSMENT	DOCUMENTATION
Project Partnerships	Degree and variety of partnerships Hydrogen HUB	Letters of commitment from partners
Security of Partnering Arrangement(s)	Status of partnership(s) (i.e. MOUs, legal agreements, etc.)	Letters of commitment from partners
Small Medium Enterprise (SME) Engagement	Level of SME involvement Involvement of other Indigenous organizations	Business Plan, Letters of commitment from partners
Indigenous Ownership	Level and degree of Indigenous ownership over time	Baseline data, Letters of commitment
Local Benefits	Demonstrated local benefits (e.g., infrastructure improvements, capacity building)	Business plan
Permanent Jobs	Number of permanent jobs associated with the project	Business Plan

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Reporting Requirements

Reporting requirements will be **specified in Contribution Agreements**, and could include:

- Progress reporting against Milestones
- Indigenous Ownership
- Commissioning report - third party validated
- Results (e.g. outputs and outcomes)
- Financial reports describing and supporting costs incurred, contributions from all funding sources, percentage of allocated funding expensed
- Details from the initial application, for instance;
 - CI for produced fuel (ongoing CI reporting will be done with new GoC LCA tool)
 - Continuance of Supply / Off-Take Plans, in particular for CO₂ management
 - Progress of implementation of the company's D&I plan
- Annual performance reports



Repayability Conditions

- Applicable **only** to production projects owned by an Indigenous controlled business that **makes a profit** and whose articles of incorporation **permit dividends to be paid** or distributed to shareholders.
- Repayability requirements take effect as of the **official commissioning date of project** and will be based on profits generated by the project.
- **Profit will be determined using GAAP** (i.e. IFRS or ASPE)
 - Profit = Net Profit or Income Before Income Taxes
 - Amortization expense based on Net Project Cost (Total Project Cost less NRCan Contribution)
- For **projects generating profits**, the amount of repayable contribution will be based on the NRCan contribution:
 - Repayable Contribution = Profit x (NRCan contribution / Total Project Cost)
 - Maximum Amount Repayable = NRCan contribution
- Proponents will be required to submit Audited Financial Statements and project level financial reporting annually for the duration of the **repayment period (up to 10 years)**



Next Steps and Questions

- Obtain feedback from Indigenous Partners – within 2 weeks
- Finalize design and launch Call for Project Proposals – late December 2021 (close May 31, 2022)
- Hold information session for interested applicants in January
- Evaluation of indigenous applications – undertaken as applications are received
- Launch Establishing Biomass Supply Chains – Spring 2022
- Questions and comments can be sent to:

cleanfuelsfund-fondsdecarburantspropres@NRCan-RNCan.gc.ca

