

#### British Columbia's Low Carbon Fuel Standard

# **2020 Part 3 Agreement Program**

# **Request for Proposals**

**Issue Date**: August 5, 2020

Closing Time: before 5pm Pacific Time on September 18, 2020

<u>Delivery of Proposals</u>: Proposals must be complete and submitted in accordance with the guidelines outlined in section 6 (RFP Process Rules).

<u>Inquiries and Contact</u>: Enquiries related to this RFP, including any requests for information or clarification, should be directed only to the email below. Questions submitted to the Low Carbon Fuels Branch less than **three business days** before Closing Time may not be answered. The Proponent should check the Renewable and Low Carbon Fuel Requirements Regulation website for any updated information prior to submitting.

Contact email: lcfrr@gov.bc.ca

Website: https://gov.bc.ca/lowcarbonfuels

Transportation Fuels Reporting System: https://lowcarbonfuels.gov.bc.ca/

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## 1. Part 3 Agreements

A Part 3 Agreement is an agreement between a Part 3 Fuel Supplier and the Director under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act* (Act) to take actions that would have a reasonable possibility of reducing greenhouse gas (GHG) emissions through the use of Part 3 Fuels sooner than would occur without the agreed-upon action. Part 3 Agreements are intended to promote innovation, diversity and greater uptake of lower carbon transportation fuels – all contributing to accelerated market transformation. Part 3 Agreements provide a mechanism for Part 3 Fuel Suppliers to generate credits in order to comply with British Columbia's low carbon fuel requirements under the Renewable and Low Carbon Fuel Requirements Regulation (Regulation).

Part 3 Agreements are performance-based and provide credit for the achievement of Project milestones. When a Project milestone is not fulfilled, the Project may be cancelled, and associated credits reallocated to other Projects with Part 3 Agreements from the same Compliance Period. Credits awarded through a Part 3 Agreement are indistinguishable from other credits under the Regulation and, as such, may be used to meet compliance obligations or may be transferred to other Part 3 Fuel Suppliers.

The following principles guide the Director's approach to Part 3 Agreements:

- Part 3 Agreements support the accelerated development and market penetration of Part 3 Fuels by promoting innovation across a diversity of Projects;
- Part 3 Fuel Suppliers have an equal opportunity to access credits through Part 3 Agreements, and equal credit is awarded for equal action;
- Part 3 Agreements are fair and flexible able to accommodate and adapt to changing circumstances and markets; and
- Continuous improvement in the implementation of Part 3 Agreements will consider the needs of Part 3 Fuel Suppliers and input from stakeholders.

#### 2. Definitions

Throughout this Request for Proposals (RFP), the following definitions apply:

- "Act" means the Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements)
  Act;
- "Agreement" means a Part 3 Agreement as defined in the Act;
- "BC-LCFS" means the *Greenhouse Gas Reduction (Renewable & Low Carbon Fuel Requirements) Act* and the Renewable & Low Carbon Fuel Requirements Regulation, known collectively as British Columbia's low carbon fuel standard;
- "Closing Time" means the closing time and date for Proposals as set out on the cover page of this document;
- "Credit Pool" means the total number of credits that the Director may issue under Agreements entered into during the Program CP;
- "Compliance Period" or "CP" means a compliance period prescribed under the Act for the purposes of section 6 of the Act;
- "Credit Value" means the assumed financial value of a credit, determined by the average credit market price over a fiscal year; for 2020, this will be the period April 1, 2019 to March 31, 2020, for which the average credit market price was \$283 per credit;
- "Director" means the director under the Act as appointed and replaced from time to time;
- "File Submission" means a submission of files to the Province through TFRS;
- "GBA+" means Gender-based Analysis Plus, which is an analytical process used to assess how diverse groups of women, men and non-binary people may experience policies, programs and initiatives;
- "Greenhouse Gas" or "GHG" means "greenhouse gas" as defined in the Act;
- "Ministry" means the Ministry of Energy, Mines and Petroleum Resources;
- "must", or "mandatory" means a requirement that must be met in order for a Proposal to receive consideration:
- "Obligated Parties" means Part 3 Fuel Suppliers that typically supply fuel that incurs debits under the Act that must be offset by credits (e.g. supply petroleum-based gasoline and diesel fuel);
- "Part 3 Fuel Supplier" means "part 3 fuel supplier" as defined in the Act;
- "Part 3 Fuel" means "part 3 fuel" as defined in the Act;
- "**Program CP**" means the Compliance Period to which this RFP relates, as set out on the cover page of this document;
- "**Project**" means a program of activities supported by an Agreement, that accelerate market transformation by reducing greenhouse gas emissions through the use of Part 3 Fuels sooner than would occur without the program of activities;

- "Proponent" means the Part 3 Fuel Supplier that submits a Proposal;
- "Proposal" means a written response to the RFP that is submitted by a Proponent;
- "Province" means Her Majesty the Queen in Right of British Columbia;
- "Regulation" means the Renewable and Low Carbon Fuel Requirements Regulation, B.C. Reg. 394/2008;
- "Request for Proposals" or "RFP" means the solicitation described in this document, including any attached or referenced appendices, schedules or exhibits and as may be modified in writing from time to time by the Province;
- "should", "may" or "weighted" means a requirement having a significant degree of importance to the objectives of the Request for Proposals;
- "TFRS" means the Transportation Fuels Reporting System; and
- "Third Party" means any person or entity who is not the Proponent, but is responsible for implementing all or a portion of a Project; includes any owner or operator of a facility or equipment at which the Project takes place, and who will receive funding from the Proponent to implement all or a portion of the Project.

## 3. Overview

## 3.1 **Proponent Eligibility**

- As outlined in section 8.01 (1) of the Act, Proponents must be a recognized Part 3 Fuel Supplier to be eligible to enter into an Agreement. Proposals submitted by entities that are not recognized Part 3 Fuel Suppliers will not be considered.
- Entities that are not Part 3 Fuel Suppliers can participate as Third Parties, however, the Director may only enter into an Agreement with the Proponent and thus all obligations, responsibility, accountability, and benefits belong to the Proponent.
- Proponents must be in good standing with the Province to be eligible for an Agreement. Proponents must not have outstanding issues related to the BC-LCFS.

#### 3.2 **Project Scope**

- Projects must be intended to achieve goals that are in accordance with the principles of the BC-LCFS.
- Projects must have a reasonable possibility of reducing the amount of carbon dioxide equivalent emissions resulting from the use of Part 3 Fuels.
- Projects should have a reasonable possibility of increasing the uptake of Part 3 Fuels and/or accelerating market transformation.
- Proposals must demonstrate a need for support and that the Project is unlikely to proceed without support.
- Proposals should create province-wide benefits whenever possible.
- Proponents must demonstrate an intention to follow through on a Project if the preliminary research, investigation, and/or results are positive. For example, positive research should lead to action, or consideration of construction of infrastructure should lead to construction and an increased Part 3 Fuel supply in British Columbia.

#### 3.3 Project Risk

- Proposals must include a description of significant risk factors associated with the execution of a Project and a mitigation plan for said risk(s).
- Proponents are solely responsible for all risks associated with the execution of a Project and its subsequent operations (if applicable), including unexpected issues, delays and cost overruns, and any risk not identified in the Proposal. If these issues affect a milestone, the Director will consider them on a case-by-case basis and may be open to adjusting the Agreement; however, any changes to the Agreement may require renegotiation of the Agreement. The Director is under no obligation to respond to such issues.
- In general, projects that are substantially underway before entering into an Agreement would not qualify, as this could be considered an indication that the Agreement is not needed in order for the project to be completed. Should a Proponent choose to begin a Project prior to the completion of the RFP process and the finalization of Agreements, they are solely responsible for all risks and costs. The Director is under no obligation to

enter into an Agreement for a Project simply because it is already underway. Credits will not be allocated for milestones that are completed before entering into an Agreement.

#### 3.4 **Project Timeline**

- Proposals must provide a clear and concise Project timeline.
- Proposals should identify potential Project milestones and an appropriate quantity of credits consistent with the requirements outlined in section 3.6 (Part 3 Agreement Credits). This will inform the structure of the Agreement.

## 3.5 **Budget and Funding**

- Proposals must clearly identify the funding scope of the Project and provide a complete estimate of all associated Project costs. Project costs should be broken down into the different stages of the Project.
- Proposals must disclose any and all external sources of funding or support and identify both the source and amount of external funding.
- Proposals must demonstrate that the Proponent is in an adequate financial position to complete the Project and sustain any subsequent operations following from the completion of the Project, if applicable.

### 3.6 Part 3 Agreement Credits

- Projects will receive consideration in proportion to the magnitude of the benefits to
  British Columbia, including the reduction in the carbon intensity of Part 3 Fuel(s), the
  quantity of fuel supplied, the associated GHG reductions, and the market transformation
  potential. For example, consideration will only be given to the portion of fuel supplied in
  British Columbia for Projects that lower the carbon intensity of a fuel produced outside of
  the Province.
- Projects that fall within the same Project category will receive similar support, where appropriate. The Director reserves the right to increase or decrease support relative to past Projects as market information and understanding improves over time, and economies of scale and learning are realized.
- Projects that result in a measurable reduction in the carbon intensity of Part 3 Fuels, that cannot currently be recognized by the Act, will be allocated credits based on the estimated reduction in the carbon intensity of the Part 3 Fuel(s), including Projects at petroleum refineries. One example would be the use of renewable natural gas to produce gasoline and diesel at an existing petroleum refinery.
- All other Projects will be allocated credits based on the potential to reduce GHG emissions, the Project's estimated budget, and the assumed value of a credit. The value of a credit is determined by the average credit market price over a fiscal year. For 2020, this will be the period April 1, 2019 to March 31, 2020, for which the average credit market price was \$283 per credit. The number of allocated credits will have a financial value of no more than 50 percent of the Project's total estimated budget. The number of

credits may be reduced if the Project's anticipated total support from external sources of funding, including Part 3 Agreements, provincial, and federal sources, is more than 50 percent of the Project's estimated budget.

#### 3.7 <u>Carbon Intensity Reductions</u>

- Proposals must provide an estimate of the reductions in carbon intensity of Part 3 Fuels realized from the completion of the Project.
- Proposals must provide an estimate of the associated reduction in greenhouse gas (GHG) emissions from the first three years of operation following the completion of the Project.
- Proposals must calculate carbon intensity reductions and GHG reductions in accordance with the Act and Regulation, including using values specified in the Act and Regulation wherever possible.
- Proposals must clearly show all calculations, inputs, and assumptions related to the
  calculation of carbon intensity and GHG reductions. Assumptions should be reasonable,
  defensible, and supported with evidence where appropriate. Uncertainty in calculations
  and assumptions should be clearly and concisely communicated, and conservative
  estimates should be used whenever uncertainty exists.

#### 3.8 Complementary Benefits

- Proposals should identify any complementary benefits of the Project, including:
  - o Environmental (non-GHG) benefits
  - o Economic benefits
  - o Societal benefits, including benefits to:
    - First Nations
    - Low Income
    - GBA+
    - Equity
  - Knowledge transfer potential

#### 3.9 Confidentiality

- Proposals must be complete and not rely on redacted information.
- Proposals that contain confidential information should be clearly marked as confidential.
- Proposals containing confidential information will not be disclosed unless required under the *Freedom of Information and Protection of Privacy Act*.
- The Ministry intends to post summary information regarding all Agreements, including the Part 3 Fuel Supplier responsible for the Project, the Project Category and the total quantity of credits anticipated to be awarded if the Project is completed successfully.

## 4. Proposal Format

Proponents should ensure that they fully respond to all requirements for a complete Proposal to receive full consideration during evaluation.

All Proposals must include a Proposal Cover Letter, which is available for download on the Part 3 Agreement portion of our website at <a href="http://gov.bc.ca/lowcarbonfuels">http://gov.bc.ca/lowcarbonfuels</a>. The Proposal Cover Letter must be the first page of the Proposal and completed in full. Proposals must also include an Executive Summary that concisely describes the information presented in the Proposal. The main body of the Proposal must be no more than 10 pages, excluding the Cover Letter, the Executive Summary, and any appendices.

Any information that is considered to be confidential must be clearly identified.

## 5. Evaluation

Evaluation of Proposals will be conducted by members of the Low Carbon Fuels Branch and may include other members of the Ministry of Energy, Mines and Petroleum Resources. Proposals will be assessed in accordance with the requirements of the RFP, including the mandatory and weighted criteria listed below.

#### 5.1 Mandatory Criteria

Proposals must first meet all of the following mandatory criteria. Proposals that do not clearly demonstrate that they meet the following mandatory criteria will be excluded from further consideration during the evaluation process.

Mandatory Criteria		
1. The Proposal is complete, adheres to the requirements outlined in the RFP, and does not rely on redacted or omitted information.		
2. The Proponent is a Part 3 Fuel Supplier.		
3. The Proponent submitted an Expression of Interest and the Project concept was selected for further consideration.		
4. The Project is within the scope of B.C.'s Low Carbon Fuel Standard (BC-LCFS) and is intended to achieve goals that are in accordance with the principles of the BC-LCFS.	Pass / Fail	
5. The Proponent's past performance under Part 3 Agreements or other government programs (if applicable) is satisfactory to the Director.		
6. The Proponent is in good standing with the Province and does not have outstanding issues related to the BC-LCFS.		

## 5.2 Weighted Criteria

Proposals meeting all mandatory criteria in section 5.1 will then be assessed using the weighted criteria below. Once the Proposals are ranked, the Director will invite the proponents of the highest ranked Proposals to enter into an Agreement, proceeding down the ranked list until all available credits have been committed.

Weighted Criteria	Weight			
Carbon Intensity Reduction and Cost-Effectiveness				
Carbon intensity and GHG emissions reductions				
<ul> <li>The Project has a reasonable possibility of reducing the amount</li> </ul>				
of carbon dioxide equivalent emissions resulting from the use				
of Part 3 Fuels.				

- The magnitude of the benefits to British Columbia, including the reduction in the carbon intensity of Part 3 Fuel(s), the quantity of fuel supplied, and the associated GHG reductions over the first three years of operation following the completion of the Project.
- The Proposal provides an estimate of the reductions in carbon intensity of Part 3 Fuels realized from the completion of the Project and the associated reduction in greenhouse gas (GHG) emissions that adheres to the requirements outlined in section 3.7 of this RFP.
- The Proposal calculates carbon intensity reductions and GHG reductions in accordance with the Act and Regulation, including using values specified in the Act and Regulation wherever possible.
- The Proposal clearly shows all calculations, inputs, and assumptions related to the calculation of carbon intensity and GHG reductions. Assumptions are reasonable, defensible, and supported with evidence where appropriate. Uncertainty in calculations and assumptions is clearly and concisely communicated, and conservative estimates are used if uncertainty exists.
- Cost-Effectiveness (dollars per tonne)
  - Amount of support requested, in terms of credits and Credit Value, per tonne of emissions reduced for the first three years following the completion of the Project.
  - o Total Project cost relative to the amount of emissions reduced for the first three years following the completion of the Project.
  - Project cost estimates and total budget are reasonable and align with typical industry costs.
  - Projects with lower credit ask per tonne of emissions reduced may receive a higher score.

#### **Market Transformation**

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- The Project increases the uptake of Part 3 Fuels and accelerates market transformation.
- The Project's ability to overcome the barriers to availability, awareness, accessibility, affordability, and acceptance (i.e. 5 A's Assessment).
- The Project has undergone sufficient engineering and/or assessment to determine its feasibility and provides justification for the planned design or approach.
- The Proposal clearly demonstrates the Proponent's commitment to the Project and the intention to follow through on a Project if the preliminary research, investigation, and/or results are positive.

The Project is unique in that there are no similar Projects or initiatives supported elsewhere in government or industry.		
Project Timing		
<ul> <li>Project timing and completion dates are realistic and reasonable.</li> <li>Large-scale Projects spanning multiple compliance periods identify distinct phases in which support could be provided.</li> </ul>		
Project Risks & Business Case		
<ul> <li>Appropriate Project risks are identified, with measures to mitigate or manage risks to acceptable levels.</li> <li>Proposal demonstrates that the Proponent is in an adequate financial position to complete the Project and sustain any subsequent operations without requiring additional support, if applicable.</li> <li>Proposal demonstrates a need for support and that the Project is unlikely to proceed without support.</li> </ul>		
Complementary Benefits		
<ul> <li>Environmental (non-GHG) and economic benefits are identified.</li> <li>Societal benefits, including benefits to First Nations, low income, and GBA+ are identified.</li> <li>The Project is equitable, where possible, in terms of province-wide vs. regional benefits.</li> <li>The identified benefits are reasonable and directly related to the completion of the Project.</li> </ul>		
TOTAL		

#### 6. RFP Process Rules

#### **6.1 Submission of Proposals**

- Proponents should not submit a Proposal unless they are willing to enter into an Agreement as described under section 8.01 of the Act. Submission of a Proposal does not create any contractual or equitable rights in relation to the conduct of the RFP.
- Proposals must be submitted using either the File Submission feature within the
   <u>Transportation Fuels Reporting System</u> or by email to <u>lcfrr@gov.bc.ca</u> by **5pm**, Pacific
   **Daylight Time on September 18, 2020**. The Proponent is solely responsible for ensuring
   that the Province receives a complete Proposal, including all attachments or enclosures,
   before the deadline.
- The Ministry is under no obligation to review Proposals that are submitted after 5pm,
   Pacific Daylight Time on September 18, 2020. In case of a dispute with respect to a
   Proposal submission, the Proposal receipt time as recorded in the received email address
   for delivery of Proposals or the Transportation Fuels Reporting System will prevail
   whether accurate or not.
- Proponents should submit Proposals in a single email or File Submission entry and avoid sending multiple submissions for the same Proposal. The Government email system will not accept compressed (zip) files. If the file size of a submission exceeds the maximum allowable size, the Proponent may make multiple submissions (multiple emails or File Submissions for the same Proposal) to reduce attachment file size so as to be within the maximum allowable size. Proponents should identify the order and number of emails or File Submissions making up the Proposal submission (e.g. "email 1 of 3, File Submission 1 of 3...").
- Proposal submissions should be clearly marked with the name of the Proponent and the Project title.
- The Province strongly encourages Proponents to submit Proposals with sufficient time to complete the upload and transmission of the complete Proposal and any attachments before the deadline.

#### **6.2 Additional Information**

Additional information will be either posted on the Province's website or sent to Proponents at the contact information provided in the Proposal. Proponents are strongly encouraged to ensure that contact information is accurate and up to date.

#### **6.3** Changes to Proposals

By submitting a clear written notice, the Proponent may withdraw its Proposal before or after the Closing Time. Proponents should use a consistent submission method for submitting Proposals and any withdrawals. The Proponent will not be permitted to change any part of its Proposal after the Closing Time unless requested by the Director or to correct an error.

#### 6.4 No Lobbying & Conflicts of Interest

- Proponents must not attempt to influence the outcome of the Part 3 Agreement application process by engaging in lobbying activities. Any attempt by the proponent to communicate for this purpose directly or indirectly with any employee, contractor or representative of the Province, including any elected officials of the Province, or with the media, will result in the disqualification of the proponent.
- A Proponent may be disqualified if the Proponent's current or past corporate or other interests, those of an employee, director or officer of the Proponent, or a proposed Third Party, may, in the Province's opinion, give rise to an actual or potential conflict of interest in connection with the RFP. This includes, but is not limited to, involvement by a Proponent in the preparation of the RFP or a relationship with any employee, contractor or representative of the Province involved in preparation of the RFP, preparation of evaluation guidelines, participating in the evaluation of Proposals or in the negotiations or administration of Part 3 Agreements. If a Proponent is in doubt as to whether there might be a conflict of interest, the Proponent should consult with the Province prior to submitting a Proposal. By submitting a Proposal, the Proponent represents that it is not aware of any circumstances that would give rise to a conflict of interest that is actual or potential, in respect of the RFP.

#### **6.5 Third Parties**

- The Province will accept Proposals where more than one organization is proposed to deliver the Project, so long as the Proposal clearly identifies the Part 3 Fuel Supplier that will be the Proponent and that will have sole responsibility to implement the Project under the Agreement. The Director will enter into an Agreement with the Proponent only, but may require additional contractual representations, warranties and covenants from Third Parties involved in implementation of the Project, including persons who are the owners or operators of facilities or equipment involved in the Project that are not owned and operated by the Proponent. The evaluation of the Proponent will include evaluation of the resources and experience of proposed Third Parties, if applicable.
- All Third Parties should be clearly identified in the Proposal.
- A Proposal may not include a Third Party whose current or past corporate or other interests, may, in the Province's opinion, give rise to an actual or potential conflict of interest in connection with the RFP. This includes, but is not limited to, involvement by the Third Party in the preparation of the RFP or a relationship with any employee, contractor or representative of the Province involved in preparation of the RFP, participating in the evaluation of Proposals or in the negotiations or administration of the Agreements. If a Proponent is in doubt as to whether a proposed Third Party might be in a conflict of interest, the Proponent should consult with the Province prior to submitting a Proposal. By submitting a Proposal, the Proponent represents that it is not aware of any circumstances that would give rise to a conflict of interest that is actual or potential, in respect of the RFP.

#### 6.6 Evaluation

Proposals will be assessed in accordance with the evaluation criteria. The Director is under no obligation to receive further information from a Proponent or to investigate or verify statements or representations made in a Proposal.

#### **6.7 Negotiations toward Agreements**

- Upon completion of the evaluation of Proposals, the Province intends to negotiate Agreements with the Proponents of Proposals that receive the highest-ranking evaluations. The number of Proposals for which the Province initially offers to negotiate Agreements will be based on the Province's opinion of the sufficiency of the Credit Pool in relation to the quantity of credits requested in the Proposal.
- The Director may request a decrease in the total credit support proposed in a Proposal.
  The Director is under no obligation to agree to any increases in the total credit support
  proposed in a Proposal. Agreements may also include changes from Proposals in relation
  to the timing of when support is provided and any other changes the Director believes is
  necessary.
- If the Director feels that an Agreement cannot be finalized with provisions satisfactory to the Director, the Province may terminate discussions with the Proponent.
- If the Province determines that there are sufficient credits remaining in the Credit Pool to enter into Agreements with additional Proponents, the next highest ranked Proposals will be selected for consideration. The Province may also choose to not enter into further negotiations with any qualified Proponent.
- Agreements will include provisions generally described in the Agreement template
  provided at a later date and may include other terms and conditions to be finalized to the
  satisfaction of the Director.

#### 6.8 Debriefing

All Proponents will be notified once all Agreements have been finalized.

#### 6.9 Proponents' Expenses

Proponents are solely responsible for their own expenses in participating in the RFP process, including costs in preparing a Proposal and for subsequent finalizations with the Province, if any.

#### 6.10 Errors & Omissions

While the Province has made considerable efforts to ensure information in the RFP is accurate, the information contained in the RFP is supplied solely as a guideline for Proponents. The information is not guaranteed or warranted to be accurate by the Province, nor is it necessarily comprehensive or exhaustive. Nothing in the RFP is intended to relieve Proponents from forming their own opinions and conclusions with respect to the matters addressed in the RFP.

### 6.11 No Implied Approvals

Neither acceptance of a Proposal nor execution of an Agreement will constitute approval of any activity or development contemplated in any Proposal that requires any approval, permit or license pursuant to any federal, provincial, regional district or municipal statute, regulation or bylaw.

### 6.12 Reservation of Rights

The Director reserves the right:

- to modify the terms of the RFP at any time prior to September 18, 2020;
- to cancel the RFP at any time prior to entering into an Agreement with a Proponent;
- to waive any irregularity, defect or deficiency in a Proposal;
- to reject any Proposal due to the Proponent's or Third Party's unsatisfactory past performance under Part 3 Agreements or other government programs or any other information the Director believes relevant to assessing the proponent's ability to successfully implement the Project;
- to reject any Proposal which the Director determines contains a false or misleading statement or information; and
- at any time, to reject any or all Proposals.

# 7. Appendix A – Agreement Template

A draft Agreement template will be provided at a later date.