

1b: Clean Growth Infrastructure Royalty Program (CGIRP) 2022 Questions and Answers-
UPDATED ON MAY 6, 2022

(Questions #1-24 with answers are from CGIRP 2021 but which also apply to CGIRP 2022 and in some cases have been updated to apply to the 2022 Program)

New questions received at least 10 business days prior to the Closing Time for the 2022 CGIRP RFA will be added to the end of this document with answers, check back frequently for additions

Q1 How do you determine what "facilities" can be considered "associated" with a pipeline under CGIRP?

- "facility" and "pipeline" are as defined in the *Oil and Gas Activities Act*.

Q2 Novel non-venting: can a project demonstrate a new technology and not necessarily reduce emissions at the demonstration site, but build a pathway to emission reductions at future sites once the demonstration is confirmed, and possibly future greenfield emission avoidance?

- For a project under the Sustainability category, it is necessary to realize real emission reductions from that project for it to receive significant evaluation scoring points under the Emissions Reduction criterion.

Q3 Is there a limitation for how long the growth project linked wells can pay-out for (acknowledging that the production economic benefit to the Prov is considered in evaluation, so assuming it passed the test and got funded in that year)?

- There is no limitation to generate royalty revenue for approved projects. Longer pay-outs of royalty revenue from associated wells will delay the release of royalty deductions associated with the project, however, owing to the revenue neutrality requirement.

Q4 Can the total funding, including other government funding, exceed 50% of project costs?

- Yes, while the maximum royalty deduction amount from an approved Clean Growth Infrastructure Royalty Program (CGIRP) approved project cannot exceed 50% of the lesser of the estimated or actual project cost, other government funding can combine to exceed this 50% level with the exception of the BC Carbon Offset program. For more information on this please see other questions and answers below.

Q5 For the Growth category- Value add type the Request for Applications material indicates hydrogen fueling stations are eligible, but does this include also CNG fueling stations?

- If the project proponent(s) can justify that the project would be utilizing the best available technology to reduce emissions, and if emissions reductions are realized, then the Ministry would consider CNG fueling stations in an application.

Q6 What if other government funding has not yet been confirmed? Is it required to include that funding in the ERR? For example, CIF Funding is supposed to be confirmed in August 2022 after the close date of the 2022 CGIRP Request for Applications.

- It is asked that any other government funding applied for or approved be disclosed, along with its status, to better understand how these projects fit into government's overall approach. Only confirmed funding, however, will have an impact on CGIRP project ranking and selection.

Q7 With a growth project, are only the new wells associated with the project allowed for the royalty reduction or can other wells in the company be used?

- Only wells associated with the project can be included to meet revenue neutrality requirements. Such wells could exist prior to the project if the project allowed them to go on production.

Q8 Do all partners in a CGIRP project need to claim the royalty deductions at the same rate?

- For an approved project with two or more producers, partner producer companies determine the amounts of royalty deduction going to each producer. Timing of the royalty deductions to be released for Growth projects are subject to the requirement of revenue neutrality to be met by the project. However, a pipeline company can apply jointly with one or more Producer(s) but cannot receive any royalty deductions as they do not pay royalties. A Pipeline company applying jointly with a Producer(s) must privately determine the royalty deduction allocation that the Producer(s) are requesting.

Q9 What's the maximum timeframe allowed in emissions reduction calculations?

- For the 2022 CGIRP, Greenhouse gas emissions reductions should be estimated over a 10-year period from January 1, 2023 to December 31, 2032. See main RFA document 1a, Appendix 3 Greenhouse Gas Emissions Quantification Methodology for details.

Q10 Are midstream companies treated as pipeline companies in this process? Do midstream infrastructure companies need to enter into an agreement with a producer to stream any benefit - since producers get the royalty reduction but midstreamers put in the capital to build the facilities.

- Yes, a midstream company would be eligible to apply with at least one producer if they meet the definition of a “pipeline company” which is specified in the RFA as follows:
“Pipeline Company” means “Pipeline Company” as defined in the Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation, B.C. Reg. 495/92 (1993).
- A pipeline company would have to enter into a private agreement with their producer partner(s) and make their own arrangements to benefit from a successful project.

Q11 For clarification on ERR. Provincial funding such as the BC offset program will need to go into that ERR calculation?

- Other sources of approved provincial funding are used in the ERR calculation to determine the impact of the CGIRP ERR calculation.
- Specifically relating to the BC Carbon Offset Projects, administered by BC Carbon Registry, that Program does not allow approved projects to also receive royalty deductions under CGIRP. Some other programs like the CleanBC Industry Fund (CIF) allows stacking different programs' funding including the CGIRP, please check the program websites for further information and see below under Q12.

Q12 Will there be a stacking limit when combining Clean BC Industry Fund (CIF) Emissions Performance program and CGIRP in 2022?

- Yes in 2022, for the CIF Emissions Performance program and CGIRP, stacking can be as high as 75% of estimated eligible capital expenditures combined. Note however the maximum royalty deduction from CGIRP cannot exceed 50% of eligible project costs.

Q13 If receiving royalty deductions from an approved CGIRP project, are you ineligible to then apply for offsets from the Greenhouse Gas Emission Offset Projects that are managed through the BC Carbon Registry?

- Greenhouse Gas Emission Offset Projects that are managed through the BC Carbon Registry do not allow for any stacking with CGIRP.

Q14 Can we aggregate multiple water pipelines together under one project in a growth category application each with its own GHG and attachments? Or is it best to submit one application per pipeline?

- That is the applicant's decision. You can do either option under the CGIRP Program. Note that each project application will be evaluated under its own merit independently and the process is competitive.

Q15 Is there any date that is considered too early for a design start date?

- There is no set date for design activities to occur prior to the application. As long as the design activities are directly related to the project and fall within the description of eligible design activities then the Ministry will consider it as part of the application.

Q16 If emissions associated with a transmission line construction totals less than 5% of total baseline GHG emissions calculated over the 10 year period, is it reasonable to exclude the emissions reduction during the construction phase based on materiality (as long as justification is noted)?

- It is the applicant's decision whether or not to include or exclude the emissions during transmission line construction phase in total baseline GHG emissions, but it should be made clear in the application; however, for maintenance activities that are expected in the regular post-project operation phase, it is suggested the applicant provide such detail.

Q17 Are capital costs to construct a new facility considered eligible costs under value-add project application submissions?

- Yes, capital costs to construct a new facility are eligible costs under the Program. Eligible capital cost investment can include capital costs for facility construction as well as the facility site construction. Please see the main RFA document 1a, section 5.1.3 Value-add Infrastructure, which clearly indicates a facility is eligible under a value-add project and clearly defines "facility".

Q18 If approved for a royalty deduction under CGIRP, are we ineligible to apply for offsets from the following different crediting programs: BC Carbon registry; and, GBHG clean projects registered (administered by CSA)

- Greenhouse Gas Emission Offset Projects that are managed through the BC Carbon Registry do not allow for any stacking with CGIRP applications
- Applications received through CGIRP will not be ineligible if they are registered under any CSA programs.

Q19 In the 2019 CGIRP program, we had to fill in a table showing the royalties generated from the new wells. Is it no longer required?

- No, it is no longer required. As in the 2021 CGIRP program, estimated royalties are calculated internally by the Ministry for the 2022 CGIRP program. Detailed and complete well information and production estimates are still required.

Q20 Can we aggregate multiple water pipelines together under one project application for a growth category application, where each is provided with its own GHG and attachments, or is it best to submit one application per pipeline project application?

- It is up to the Applicant to decide but note that each project application submission will be evaluated under its own merit and the process is competitive.

Q21 My proposed project application is a growth project that includes building a road, pipeline, and surface equipment for a well tie in. The application requires that you select only one project type but my project is both road and pipeline infrastructure. Do I need to write separate applications for the road and pipeline infrastructure relating to the same project or can I select both?

- An application can have both road and pipeline infrastructure. The Ministry will accept the one application as per the situation described in Q23.
- It is up to the Applicant to decide, you can submit together or as separate applications but note that each project application submission will be evaluated under its own merit and the RFA process is competitive. The Ministry does not advise on how applications should be structured (whether under single or multiple applications); it is up to the applicant on whether they want to submit single or multiple applications as per the situation described in Q23.

Q22 Would FEED (Front End Engineering and Design) studies be eligible to apply under the 2022 CGIRP and be eligible for a royalty deduction?

- The Program requires infrastructure construction and/or upgrading that will either contribute to well development that generates increased royalties paid to the Province (growth projects) or

reduce emissions (sustainability projects). Such a FEED study itself would not be eligible for application under **CGIRP 2022**.

Q23 Should I split up the scope of work relating to pipeline and pad construction across growth applications?

- The Ministry does not advise on how applications should be structured (whether under single or multiple applications); it is up to the applicant company(s) on whether they want to submit single or multiple applications to the RFA.

Q24 Are carbon capture and storage projects eligible to be applied for under this program?

- Yes, if all CGIRP Program criteria are met.

Q25 We have question on shape files and also who to address our application cover letter to as follows:

1. For the shape file requirement, is the .CPG file required to be submitted?
2. Who is the project manager we should be addressing in the cover letter?

A:

1. No, the .CPG file is not required. See main RFA document 1a, Appendix 1 Required Application Format for details.
2. Please address the cover letter to “CGIRP Senior Project Manager”.

Q26 If the proposed project being applied for is a Sustainability project, is the template provided for the Drilling and Production Table a requirement to be completed by the Applicant? Please note the Well is drilled and completed, but currently stranded and this project will tie-in production to an oil battery.

- The Drilling and Production Table is not a requirement for projects applied for under the Sustainability category. It is up to the Applicant to determine whether a project application is submitted under either the Growth category, or the Sustainability category. If a project is submitted under the Growth category, a Drilling and Production Table is required.

Q27 I want to file an application for a CGIRP pipeline project. Originally this project was a part of a 6 well drill program, the wells were drilled last year but the pipeline was not built. We can only get 2 wells on at a time, so this project will allow us to get the other 4 wells online permanently. Am I able to use the forecasted production for these 4 shut in wells to file with the application?

- Yes. Since the proposed pipeline project will enable the 4 shut in wells to be put on production, they should be included in the Drilling and Production table as part of your application.

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Q28 We are working on our CGIRP applications and I am wondering if you can send me the current BC Government commodity price forecasts. It used to be included in the drilling and royalty table so that we could calculate the royalties. I found the 3 year gas price forecast in the Budget release, but couldn't find anything longer term or the liquids pricing.

- The Ministry does not provide a longer term price forecast for natural gas, natural gas liquids or oil. For the CGIRP 2022 RFA, applicants are only required to provide the wells and drilling and production information in the Drilling and Production table for growth category applications. The Ministry calculates the estimated royalties using this information and our internal price forecasts.