British Columbia’s
Clean Growth Infrastructure Royalty Program

2020 Request for Applications Webinar
March 11, 2020

Before we start:
• The audience will be placed on mute during the webinar presentation
• We will unmute the lines and take questions at the end of the webinar via phone and chat box
• The session will be recorded
• The presentation will be posted to the CGIRP Website
Disclaimer

This webinar is about the Clean Growth Infrastructure Royalty Program (CGIRP) – 2020 Request for Application (RFA).

If there are any discrepancies between the webinar and the CGIRP website, the website RFA documents take precedence.
Outline

- Key Outcomes
- Key Documents and Dates
- Program Eligibility
- Application Requirements
- Evaluation Criteria
- Ranking and Selection Process
- Release of Royalty Deductions
- Additional Funding Opportunities
Key Outcomes

The Clean Growth Infrastructure Royalty Program (CGIRP) is part of the Province’s commitment under CleanBC plan for climate action, clean energy and sustainable economic growth.

Key outcomes for the Program include:

• Continuing investment in oil and gas development in BC
• Encouraging development of environmentally responsible energy production in BC
• Supporting economic diversification and development of higher-value use of provincial resources
Key Documents

Main CGIRP Webpage site:
• Contains the following documents:
  - RFA Document
  - RFA Q&A Document (coming soon)
  - RFA Response Templates
  - Sample Project Agreement Templates

https://www2.gov.bc.ca/gov/content/industry/natural-gas-oil/oil-gas-royalties/clean-growth-infrastructure-royalty-program

CGIRP Webpage provides additional information for requesting the release of a royalty deduction for an approved project:
https://www2.gov.bc.ca/gov/content/industry/natural-gas-oil/oil-gas-royalties/clean-growth-infrastructure-royalty-program/royalty-deduction-submission
Key Dates

• **RFA Open Date:** Thursday, February 27, 2020
• **RFA Closing Time:** Before 2:00 PM Pacific Time on Thursday, May 14, 2020
• **RFA Closing Location:** 4th Floor - 1810 Blanshard Street, Victoria, BC V8T 4J1
• **Project Window:** Project construction can only begin after May 14, 2020, and projects must be completed by December 31, 2023.
• Applications must be submitted by COURIER OR HAND DELIVERY only
Eligible Applicants

Eligible Applicants are described in Section 4 of the RFA.

Eligible applicants include:

- Producer (single Applicant)
- Producers (joint Applicants)
- Pipeline company, in contractual arrangement with one or more producers
Program Description

• CGIRP is offering up to $150 million in royalty deductions.

• Projects can apply for **up to 50% of capital costs** that are reimbursed in the form of royalty deductions.

• Eligible projects are defined in the RFA Section 4.2 and 5.

• There are two categories of eligible projects:
  – *Growth*
  – *Sustainability*
Eligible Projects

**Growth** includes infrastructure projects related to:

a. Roads

b. Pipelines

c. Value-add

**Sustainability** includes infrastructure projects related to:

a. Electrification

b. Greenhouse gas (GHG) emissions reductions
Projects Definitions - Growth

An “Eligible Road Project” includes:

a) Construction of a new all-season road, or upgrade to an existing road, that will be eligible for permitting as an Oil and Gas Road; or

b) Upgrade of an existing Forest Service Road or Mining Access Road to all-season standard, provided legislative requirements are upheld, and that will be eligible for permitting.
Projects Definitions - Growth

An “Eligible Pipeline Project” includes:

a) Construction of a pipeline as permitted by the BC Oil and Gas Commission (OGC) or the Canada Energy Regulator (CER);

b) Construction of pipeline that recycles and/or reuses water associated with upstream development, including responsible disposal, alternatives to disposal and water clean-up; and

c) Pipeline has the same meaning as provided in section 1 of the Oil and Gas Activities Act.
Projects Definitions - Growth

An “Eligible Value-add Project” includes:

a) Construction of a pipeline or facility as permitted by the OGC or the CER that captures more value for BC natural gas;

b) Construction of a pipeline or facility infrastructure as permitted by the OGC or the CER that encourages development of value-added products and includes midstream plants;

c) Use of emerging technology to create an improved product from upstream operations and/or improves marketability through use of emerging technology
Project Definitions - Sustainability

An “**Eligible Electrification Project**” includes:

a) Greenfield electrification of oil and gas equipment and/or facilities and associated infrastructure such as well pads, wellsite compressors and other equipment; and

b) Retrofitting such equipment and/or facilities for electrification.
Project Definitions – Sustainability

An “Eligible Emissions Reductions Project” includes:

a) Retrofit, replacement, or conversion of equipment currently in operation in the upstream or midstream that reduces GHG emissions from vented and/or combustion sources;

b) Innovative design and implementation of new equipment that reduces or removes GHGs in the upstream or midstream oil and gas industry.
Application Submission

The following documents are required:

• Cover Letter
• Supporting Letter (if applicable)
• Completed RFA Response Form
• Cost Estimate Table
• Detailed Cost Breakdown Table
• GHG Emissions Reductions Calculation (Sustainability projects only)
• Drilling and Production Table (Growth projects only, Drilling Information Tab ONLY)
• Project Map
Application Evaluation

Step 1: Mandatory Criteria

Step 2: Confirmation of Eligible Project

Step 3: Evaluation Criteria

Step 4: Final Ranking and Selection

*Applications will be kept confidential and secure*
Application Evaluation

- Mandatory documents and delivery of applications are listed in section 6 of the RFA.

- All applications must meet mandatory criteria listed under section 7.1 of the RFA.

- All applications will be reviewed under Eligible Project program requirements listed under section 7.2 of the RFA.
Project Timelines

**DESIGN**

No earlier than May 14, 2020

- planning, engineering, applications, surveying, mapping, land acquisition, regulatory approval and off-site pre-fabrication

**CONSTRUCTION**

No later than December 31, 2023

- physical alteration of land, mobilization, on-site fabrication, installation, retrofit, testing, commissioning and start-up, cleanup, demobilization, final permitting and reporting

Application Evaluation

- Completed by December 31, 2023
- All calculations are provided using required methodologies
- Application excludes ineligible costs
- Applicant has a satisfactory record of royalty payments to Province
- Funding is not to maintain compliance with existing regulations
- Other funding sources are disclosed
- Sustainability projects have an Emissions Reduction Ratio less than 85
## Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>% Weight (Growth)</th>
<th>% Weight (Sustainability)</th>
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</thead>
<tbody>
<tr>
<td>Company Business Case</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Provincial Economic Impact</strong></td>
<td>50%</td>
<td>10%</td>
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<tr>
<td>Local Economic Benefits</td>
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<td>10%</td>
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<tr>
<td><strong>Emissions Reductions</strong></td>
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<td>50%</td>
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<td>Cumulative Environmental Effect</td>
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<td>10%</td>
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<tr>
<td>Social Impact</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>
Evaluation Criteria

Company Business Case:

• Project description
• Identifies barriers and risks;
• Stimulates activity in the surrounding area;
• Creates operational efficiencies;
• Explores emerging technology applications.
Evaluation Criteria

Provincial Economic Impact:

• Royalties generated;
• Midstream or downstream benefits;
• Project creates other products/uses for BC natural gas;
• Provincial benefits from the project.

Growth Projects include consideration of:

– Estimated project cost
– Royalty deduction requested
– Estimated returns on well production tied to the project
Evaluation Criteria

Emissions Reductions:

• Emissions intensity and reduction strategies
• Reduces or removes GHG emissions;
• Emissions Reduction Ratio (ERR)*

*ERR is the sum of the Royalty Deduction requested, and any other provincial funding received, divided by the project’s estimated GHG emissions reductions in tonnes CO₂e.

Note: Sustainability project applications with an ERR of 85 or more are not eligible
Emissions Reductions Calculation

Example Project A:

• Estimated Greenhouse Gas emissions reduction: $X$ (Jan. 1, 2021—Dec. 31, 2030, in tonnes CO₂e)
• Royalty deduction requested amount: $Y$
• Other provincial funding received: $Z$

\[
Emission \ Reduction \ Ratio(\text{ERR}) = \frac{Y + Z}{X} \quad ($/\text{tonnes CO}_2\text{e})
\]

29.19 (ERR) = Requested $600,000 + $0.00 other funding

20,550 tonnes CO₂e GHG reduction
Evaluation Criteria

Cumulative Environmental Effects:
• Footprint consolidation;
• Land and freshwater conservation;
• Recycling and reuse;
• Other environmental considerations

Social Impact:
• Consideration of diverse groups
• Health, safety, employment and education impacts
Final Ranking & Selection

• Points awarded for each of the Evaluation Criteria will be indexed to 100%.

• Applications may include a combination of both project categories, but are evaluated under a single category (Growth or Sustainability).

• Applications are approved in rank order until available royalty deduction has been allocated or are lower than the category minimum project score.

• The minimum project score for Growth projects is 40 out of 100 points, and for Sustainability projects 30 out of 100 points.
Agreement for Approved Projects

• Successful Applicants will be required to enter into a Project Agreement with the Province and to pay for all project costs up front.

• The Project Agreement sets out the requirements for an Approved Project.

• The following sample Project Agreement templates can be found on the CGIRP Website:

  (a) Producer Agreement (Growth or Sustainability)

  (b) Producer Partnership Agreement (Growth or Sustainability)
Release of Royalty Deductions

- Growth category
  - Royalty release is tied to revenue neutrality
  - Wells specifically tied to project
Release of Royalty Deductions

- Sustainability category
  - Royalty release is released in two payments: 50% at completion of project and royalty submission is accepted with required documents, 50% one year after the royalty deduction submission is accepted
Release of Royalty Deductions

• Royalty deductions must be applied for within 6 months of completion of project.
• Companies must submit documents listed in Schedule B of the Project Agreement.
• Requirements and templates for requesting the release of an approved royalty deduction are provided online: https://www2.gov.bc.ca/gov/content/industry/natural-gas-oil/oil-gas-royalties/clean-growth-infrastructure-royalty-program/royalty-deduction-submission
Government Contact

- All enquiries related to this Request for Application are to be directed, in writing, to the official Government Contact:
  Rebecca Stevenson, Senior Project Manager
  Rebecca.Stevenson@gov.bc.ca

- Information obtained from any other source is not official and should not be relied upon. Enquiries and any responses will be recorded and may be distributed to all Applicants at the Province’s option.

- The cut-off for submitting any questions related to this RFA to the Government Contact is April 30th (10 business days before the Closing Time).

- Closing time is 2:00 PM Pacific Time on Thursday, May 14th, 2020.
Questions?

We now invite participants to ask questions related to the RFA or other program documents via the phone or chat box.

Thank you for your time today