



Government Investment in Decarbonising Industry (GIDI) Fund

GIDI Process Heat Contestable Fund Round 4

Replies to questions received during the RFP period

9 June - 14 July 2022

Is the production of biofuel marine fuel (bio bunkers) eligible for GIDI co-funding in the storage/supply chain required to roll out bio bunkers in New Zealand?

No, GIDI projects need to directly reduce carbon emissions from processed heat. Storage for supply chain rollout without any direct change in decarbonising process heat would not be eligible in this round of funding. It is unlikely we would fund a biomass bunker for a biomass provider if there was no switch from coal/gas to biomass for process heat within the project capex.

Is a new biomass boiler vs a new diesel fuelled boiler for a capacity extension project eligible for GIDI co-funding?

Yes, biomass boilers replacing diesel fuelled boilers are in scope for this round of GIDI co-funding. Note Eligibility Criteria 18 in the RFP that requires woody biomass use to be predominately limited to medium and high temperature end use (i.e., 100C).

Is the capture and re-use of boiler (natural gas) flue gas CO2 (to prevent it from being released to atmosphere, and treated for use in beverages) eligible for GIDI co-funding?

A project may be eligible if the current supplier of the CO2 is burning additional fossil fuel to create CO2 to sell to the applicant resulting in the applicant no longer purchasing this CO2 (i.e. fewer fossil fuels being burned). A project must reduce or enable the reduction of the energy used and/or carbon emitted during an industrial process; and generate carbon emissions savings by reducing or avoiding fossil fuel use (the applicant would need to identify and quantify the specific fossil fuel the project would directly reduce).

However, if the applicant is buying CO2 that is a by-product of a fossil fuelled process, or perhaps a natural gas upgrading process, then the total amount of fossil fuel used (and CO2 generated) is unchanged by the applicant's project and would not be eligible.

If a project abates Scope 3 emissions (i.e. indirect emissions occurring the value chain) is it eligible for GIDI co-funding?

No, Scope 3 indirect carbon emissions will not be considered for GIDI co-funding.

How does the Total Project Abatement Cost influence the evaluation of the project?

The total abatement cost of a project is an Eligibility Condition, not an evaluation criteria. Specifically, Eligibility Criteria 11 in the RFP seeks that:

The Project should preferably have a total abatement cost between the current ETS price (defined as the average of the last auction) and the average Shadow Emissions Value over the period from 2023 to 2030 (as defined by Treasury's CBAX tool user guidance) (Note: at the release date of this RFP this means greater than about \$70 and less than about \$113).

Projects may also be appropriate for funding where the total abatement cost is below the current ETS price (i.e., less than about \$70) if there are other compelling barriers. Projects may also be appropriate for funding where the total abatement cost is above the average Shadow Emissions Value (i.e., greater than about \$113) if the applicant can show there is innovation, or demonstration benefits likely to accrue from the Project

If a project has a total abatement cost greater than the threshold shadow carbon price, would it be eligible for GIDI co-funding?

A project with a total abatement cost greater than the average Shadow Emissions Value does not rule a project out of consideration if the applicant can demonstrate innovation, or demonstration benefits likely to accrue from the project.

How does the abatement cost to EECA (Assessment Criteria 4) influence the evaluation of the project?

The abatement cost for EECA of a project relates to emissions abatement over the next two emission budgets. The lower the cost to EECA (\$/tCO_{2e}) the higher it will score (from 1 to 10). Refer sections 5.5.2 and 5.6.5 of the RFP.

Why does the Response Form require reporting of emissions from all of an applicants' sites, even those that are not related to a proposal for GIDI co-funding?

Emissions from all sites belonging to an applicant with process heat emissions should be reported to allow EECA to gain a full picture of the applicant's business.

Why are applicants expected to predict the future cost of carbon and the future inflation rates in the financial analysis template? Why has EECA not readily specified these values so the playing field is, in effect, pre-levelled?

Once EECA has received all proposals it will undertake a levelising exercise by applying an internal notional value for predicted rates. But this is for internal purposes only – to help EECA achieve a consistent view across proposals. Separately, EECA is keen to see how applicants inform their investment decisions through the RFP. We use such insights to inform our ongoing strategic, data and research functions. Pre-determining these values would not give us the benefit of these insights.

Given these are energy projects, EECA would expect that businesses would consider a range of future energy price scenarios. We can suggest the following sources to assist you with calculating costs over the life of proposed projects:

- **Energy** – the Ministry of Business, Innovation and Employment (MBIE) is doing work in this space but we are not expecting figures to be available until later this year. As an interim, look at the CCC dataset for fuel prices here: <https://ccc-production-media.s3.ap-southeast-2.amazonaws.com/public/Inaia-tonu-nei-a-low-emissions-future-for-Aotearoa/Modelling-files/Scenarios-dataset-2021-final-advice.xlsx>
- **Carbon** – the Treasury shadow carbon price can be used to predict future carbon prices: [CBAX Tool User Guidance - September 2021 \(treasury.govt.nz\)](https://www.treasury.govt.nz/publications/cbax-tool-user-guidance)
- **Inflation** – the Reserve Bank inflation calculator here: Inflation calculator - [Reserve Bank of New Zealand - Te Pūtea Matua](https://www.rbnz.govt.nz/-/media/e6de373a8ec14af8bbb5ae512c7bbd5b.ashx) (rbnz.govt.nz) and also look at: <https://www.rbnz.govt.nz/-/media/e6de373a8ec14af8bbb5ae512c7bbd5b.ashx> -- obtained from [Monetary Policy Statement May 2022 - Reserve Bank of New Zealand - Te Pūtea Matua](https://www.rbnz.govt.nz/-/media/e6de373a8ec14af8bbb5ae512c7bbd5b.ashx) (rbnz.govt.nz)

To be eligible for GIDI Funding are there any business size parameters?

No, there are no size restrictions for businesses seeking GIDI co-funding. However, to be eligible the Total Project costs of a proposal must be at least \$300,000 as set out in the Minimum Funding Conditions at section 3.2 of the RFP.

Do applicants need to use suppliers and technology providers from New Zealand, or can they be also from overseas?

This round of GIDI co-funding is open to all suppliers and technology providers, NZ and global. However, applicants applying for GIDI co-funding must be a NZ-based and NZBN private sector business.

Can a business apply for GIDI co-funding more than once in this GIDI funding round?

Yes, an applicant may submit more than one proposal into this round of GIDI co-funding. However, please note that each proposal must be specific to one site and one counterparty. It becomes too difficult to fully assess if multiple sites/applicants are grouped, as some projects may be eligible for co-funding and others might not, depending on individual project parameters.

Multiple projects combined at one site and with only one applicant will be acceptable provided the projects are combined with one total capital cost and one \$/tonne abatement cost figure – hence they are all able to be approved or none. Combining projects at one site is encouraged. Please contact EECA if you have a specific reason (e.g. size or complexity) not to combine projects at one site before submitting your application.

When putting together the financial assessment are you wanting details across the entire operation, for example the full financial details of income/expenses of the business, or can we just provide a breakdown of the specific project that funding is being sought for and that aspect of the business?

The financial assessment template will require a breakdown of all costs associated with the full delivery of the proposed project over the term of that project (implementation and its lifetime operational metrics). e.g., fuel cost, staffing costs, and operating and maintenance costs related to the project. Please note that non-cash costs (such as depreciation) should not be included.

If our default option is no investment and a continuation of fossil fuel use, what information is required so that the incremental cost can be calculated?

If your default option is to continue the current operational case, then this will include the running costs of the current asset. You must also consider the remaining life of the current asset and disclose when a replacement is required and when it would be implemented, what the default asset replacement would be, and the costs associated with that.

What level of financial information is required in an application?

You will need to fully complete the Financial Assessment Template attached to the Response Form. This requires a breakdown of all costs associated with the full delivery of the project, over the term of that project. The Technical Advisory Group (TAG) will consider a range of factors when evaluating financial due diligence. More detail on this can be found at Section 4.2 of the RFP.

The RFP says successful applicants have 30 business days to achieve internal approval. Does this mean we need to confirm and give evidence of our ability to fund our portion of the total project costs within that time?

Yes, that is correct. There may be some reasonable details that can be included as preconditions to the Funding Agreement.

To what extent will this particular GIDI application process take into account other public benefits, for example the Government’s aims for forest industry transformation, the growth of the bioeconomy, development of hydrogen or other bio-fuels?

Proposals must reduce or enable the reduction of energy use and/or carbon emission of industrial process. Achieving the best carbon abatement results possible from this GIDI funding is EECA’s “north star”. However, the Assessment Panel may also take into account other matters that are relevant when applying the GIDI Fund Investment Principles to a proposal (refer 3.1 of the RFP).

Can applicants seek funding from multiple branches of Government for the same project?

No, the proposed Funding Agreement (clause 4.10) precludes applicants from applying for other Government funding for GIDI funded projects “The Recipient agrees that it has not received and will not receive any other New Zealand Government funding (including from any Crown entity) in connection with this Project.” There may be exceptional circumstances where it may be appropriate to have funding from more than one Government source. This would need to be fully transparent to all parties concerned, and all parties would all need to agree that this was appropriate. Parties may obtain government funding for any part of their wider project for which they are not seeking GIDI funding.

Does applying in this funding round exclude applications for the same projects in future rounds, including the partnership programme round?

No, applying in this round of GIDI co-funding does not exclude the same projects from being considered in the future.

Is the commissioning deadline of 31 December 2025 a hard eligibility constraint for this round?

Yes, to be eligible for this round of GIDI co-funding projects must be commissioned and operational by 31 Dec 2025.

Could you provide more detail on what the partnership programme with large emitters will look like, including expected timing?

Partnerships with large emitters will be individualised negotiated agreements that take into account the objectives of both parties. EECA expects to have the partnership programme progressed by the end of 2022.

What level of commitment is required (if any) that the project will be implemented when (a) a proposal is submitted; and (b) co-funding is granted?

Applicants should only apply for projects that they intend to implement. However, we understand that proceeding with a submitted application may depend on internal aspects such as final approval from a Board. Once GIDI co-funding is approved, we recognise that some cases may still have uncertainty around implementation and it may be possible to address this uncertainty through the imposition of specific conditions in the Funding Agreement e.g. setting of specific milestones and reporting.

For more information on GIDI, please visit:

EECA.govt.nz