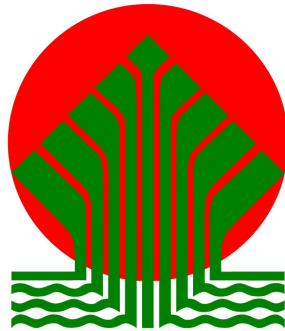


# **Green Investment Scheme (GIS) Programme**

## **Part 3**

### **BIOMASS HEAT AND POWER PLANTS**



**National Fund for Environmental Protection  
and Water Management  
Green Investment Scheme Operator**

**Poland**

## PRIORITY PROGRAMME

### Programme title:

#### Green investment scheme

#### Part 3) – biomass heat and power plants

##### 1. Objective of the programme:

Implementation of the programme will contribute to fulfilment of commitments resulting from:

1. Commitments resulting from the Accession Treaty;
2. The Kyoto Protocol to the United Nations Framework Convention on Climate Change from 11 December 1997 – ratified on 13 December 2002 (Dz. U. No 203, item 1683 and 1684);
3. Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC.

##### 2. Indices of achieving the objective

1. Product index

Construction, reconstruction or development of facilities producing electricity or thermal energy with the exclusive use of biomass at the level – **of the installed target thermal power 50 MWt.**

2. Result index

Production of thermal energy – ca. 1 450 000 **GJ/year [400 000 MWht/year].**

3. Impact index

Limiting or avoiding emissions of carbon dioxide by ca. 150 000 tons/year.

The indices of achieving the object / Greening effect planned as a result of AAU Purchase Agreements are in Annex No 2.

##### 3. Budget

1. Budget is set to:

- 1) **subsidies – PLN 50 million** – from the National Green Investments Scheme (GIS) or other NFEP&WM funds.
- 2) **Investment loans – PLN 75 million** – from NFEP&WM funds.

2. Forecast for disbursement of the budget:

Subsidies from the GIS funds or other funds of the NFEP&WM.

| Name of the priority programme:                    |   | <b>Green investments scheme - thermal power stations and biomass heating plants</b> |          |          |                 |
|--|---|---|----------|----------|-----------------|
| Budget of the priority programme (in PLN thousand) |   |   |          |          |                 |
| year   |   | 2010  | 2011     | 2012     | Total 2010-2012 |
| Planned commitments and disbursements              | I. <b>Planned commitments</b><br>(value of contracts to be concluded in a given year) | xxx   | 40 000.0 | 10 000.0 | <b>50 000.0</b> |
|  | <b>Planned disbursements</b> of commitments from item I. in 2011                      | xxxx  | 25 000.0 | xxx      | <b>25 000.0</b> |
|  | <b>Planned disbursements</b> of commitments from item I. in 2012                      | xxx   | 15 000.0 | 5 000.0  | <b>20 000.0</b> |
|  | <b>Planned disbursements</b> of commitments from item I. in 2013                      | xxx   | xxx      | 5 000.0  | <b>5 000.0</b>  |
| <b>Total planned disbursements</b>                 |   |   |          |          | <b>50 000.0</b> |

Proceeds information from AAU Purchase Agreements is included in Annex No 2.

Investment loans from NFEP&WM funds.

| Name of the priority programme                     |   | <b>Green investment scheme - thermal power stations and biomass heating plants</b> |          |          |                 |
|--|---|--|----------|----------|-----------------|
| Budget of the priority programme (in PLN thousand) |   |  |          |          |                 |
| year   |   | 2010   | 2011     | 2012     | Total 2010-2012 |
| planned commitments and disbursements              | I. <b>Planned commitments</b><br>(value of contracts to be concluded in a given year) | xxx  | 60 000,0 | 15 000,0 | <b>75 000,0</b> |
|  | <b>Planned disbursements</b> of commitments from item I. in 2011                      | xxxx   | 37 500,0 | xxx      | <b>37 500,0</b> |
|  | <b>Planned disbursements</b> of commitments from item I. in 2012                      | xxx  | 22 500,0 | 7 500,0  | <b>30 000,0</b> |
|  | <b>Planned disbursements</b> of commitments from item I. in 2013                      | xxx  | xxx      | 7 500,0  | <b>7 500,0</b>  |
| <b>Total planned disbursements</b>                 |   |  |          |          | <b>75 000,0</b> |

#### **4. Implementation period**

1. Programme implementation: 2010 – 2013.
2. Budget allocation: 2011 – 2012.
3. Payments: until 31 December 2013.

#### **5. Deadline for the submission of applications**

Announcements will be placed at [www.nfosigw.gov.pl](http://www.nfosigw.gov.pl).

#### **6. Legal basis for granting co-financing**

1. Act of 27 April 2001 – Environmental Protection Law (Dz. U. of 2008 No. 25, item 150, as amended);
2. Act of 10 April 1997 – Energy Law (Dz. U. of 2010 No. 21, item 104);
3. Act of 17 July 2009 on the system to manage the emissions of greenhouse gases and other substances (Dz. U. No 130 item 1070);
4. The public aid will be granted in accordance with the conditions defined in:
  - the ordinance of the Council of Ministers of 22 December 2006 on establishing aid programme in the scope of regional public aid for certain environmental protection investments (Dz. U. No 246, item 1795, as amended), hereinafter referred to as "the ordinance on regional aid";
  - the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid (OJ L 379, 28.12.2006), hereinafter referred to as "the regulation on de minimis aid".

#### **7. Detailed principles for granting co-financing**

##### **7.1 Forms of co-financing**

- 1) Subsidy;
- 2) Interest-bearing loan.

##### **7.2 Intensity of co-financing**

- 1) Amount of subsidy: up to **30%** of eligible costs of the project, subject to point 3.
- 2) Amount of loan: up to **45%** of eligible costs of the project, subject to point 3.
- 3) In case when co-financing meets the requirements for acknowledging it as the public aid, it will be granted with consideration to conditions defined in points 4 – 6.
- 4) Co-financing in the part allocated for preparatory activities (including: technical concepts, feasibility study, environment impact report) is granted as de minimis aid in accordance with conditions defined in the regulation on de minimis aid.
- 5) Regional aid is granted for the remaining eligible costs, in accordance with conditions defined in the ordinance on regional aid.
- 6) Regional aid intensity is calculated with consideration to the total value of public aid from all sources envisaged in financing for a given undertaking and cannot exceed the allowed intensity of public aid defined in the provisions of the ordinance on regional aid.

##### **7.3 Conditions of co-financing**

- 1) Subsidy may be granted from the GIS funds or other funds of the NFEP&WM.
- 2) In case of projects co-financed from GIS funds, obtaining loan from the NFEP&WM funds is subject to receiving subsidy from GIS funds.

- 3) Co-financing in form of investment loans:
  - a) a loan cannot be amortised,
  - b) variable interest rate WIBOR 3M +50 base points (annually),
  - c) period of financing: up to 15 years counting from the first planned disbursement of loan tranche.
  - d) grace period: grace period for the payment of principal instalments is calculated from the date of the disbursement of the last loan tranche, yet no longer than 18 months from the completion date of the project implementation.
- 4) Minimum total cost of the project: PLN 2 million.
- 5) Co-financing cannot be granted to projects which received co-financing from other priority programmes of the NFEP&WM.

#### **7.4 Beneficiaries**

- 1) Entities (natural persons, legal persons or organisational units without legal status with legal capacity granted by the act) implementing projects within the scope of renewable energy sources and cogeneration facilities with the exclusive use of biomass (dispersed sources with nominal thermal power below 20 MW<sub>t</sub>).
- 2) The dominant company and its subsidiaries can submit only one application for co-financing in one competition.
  - a) Submission of the application for co-financing by a dominant company excludes the submission of such application by its subsidiaries. Submission of the application for co-financing by a subsidiary excludes the submission of such application by another subsidiary with the same dominant company as well as by the dominant company.
  - b) A dominant entity is a natural person, legal person (excluding the Treasury), organisational unit without legal status, with legal capacity granted by the act:
    - which has over 50% of shares in the capital company (subsidiary) or is a partner in the partnership (subsidiary),
    - whose members of the board or other equivalent body constitute more than half of the board of another commercial partnership (subsidiary).
  - c) A subsidiary is a commercial partnership with relations to the dominant entity indicated in letter b).

#### **7.5 Types of undertakings**

Construction, development or reconstruction of facilities producing electricity or thermal energy (cogeneration) with the **exclusive use of biomass** (dispersed sources with nominal thermal power below 20 MW<sub>t</sub>).

#### **7.6 Procedure for granting co-financing (in the scope of GIS funds)**

- 1) The call for proposals will take place under competition procedure. Announcement on the call of proposals and its conditions will be placed in a nationwide newspaper and on NFEP&WM website.
- 2) NFEP&WM after collecting applications within the competition will assess them and prepare a list of projects initially qualified for co-financing from GIS funds.
- 3) Contract for co-financing from GIS funds may be signed after approval of the project for co-financing made by the Minister of the Environment.
- 4) In the case when the Minister of the Environment removes the project from the list of projects initially qualified for co-financing, the applicant has the right to appeal to the

Minister and then in case of sustaining the decision, the right to appeal to the administrative court.

## 8. Detailed criteria for selection of undertakings

| <b>Access criteria</b>                                      |   |            |           |
|---|---|------------|-----------|
| <b>Formal criteria:</b>                                     |   | <b>Yes</b> | <b>No</b> |
| 1.1   | Application is submitted within the deadline  |            |           |
| 1.2   | Application is submitted on valid form and filled out in Polish   |            |           |
| 1.3   | Application is complete, signed correctly, has required annexes for technical, environmental and financial assessment   |            |           |
| 1.4   | Application contains correct arithmetic calculations  |            |           |
| 1.5   | Type of undertaking is consistent with section 7.5 of the priority programme  |            |           |
| 1.6   | Applicant is included in the category "Beneficiaries" – section 7.4 of the priority programme   |            |           |
| 1.7   | Costs are consistent with the catalogue of "Eligible costs" indicated in section 9 of the priority programme  |            |           |
| 1.8   | Type and amount of planned co-financing are consistent with detailed provisions for granting co-financing defined in sections 7.1 – 7.3 of the priority programme   |            |           |
| 1.9   | Co-financing applied for is consistent with the principles of public aid (if applicable)  |            |           |
| <b>Substantive criteria:</b>                                |   | <b>Yes</b> | <b>No</b> |
| 1.10  | New devices were used   |            |           |
| 1.11  | Selected variant of implementation – solution selected on the basis of the analysis of options, justification given for the adopted solution  |            |           |
| 1.12  | Technical feasibility (including: correct selection of technology which guarantees material durability of the investment, realistic schedule of implementation).  |            |           |
| 1.13  | Environmental effect (including: reliability of assumptions and data, achievable ecological effect that is also possible to maintain for 5 years after the project completion).   |            |           |
| 1.14  | Cost analysis (including: investment layouts and operational costs estimated on the basis of reliable data and realistic assumptions).  |            |           |
| 1.15  | Market conditions (including: appropriate assessment of the potential of renewable energy source, possibility of acquiring raw materials and selling energy)  |            |           |
| 1.16  | Institutional structure and formal and legal aspects (including: transparent ownership structure and legal form, clear contact relations, submitted application for issuing building permit or having building permit(s) regarding all elements of the investment (if required), promise of licences by the President of the Energy Regulatory Office (if required) |            |           |
| 1.17  | Financial structure (including: reliable financing, feasibility and financial durability of the undertaking, type and amount of collateral acceptable by the NFEP&WM)   |            |           |
| <b>Does the application qualify for further assessment?</b> |   |            |           |
| <b>Criterion for selecting applications</b>                 |   |            |           |
| 2.1   | Cost-efficiency (DGC – Dynamic Generation Cost, see attachment No. 1)   |            |           |

**Negative result at the stage of access criteria excludes the application for co-financing from further proceedings.**

## **9. Eligible costs**

1. Period of eligibility of the costs from 1 January 2010 to 31 December 2013, subject to provisions of the ordinance on regional aid.
2. In the case of GIS funds, the breakdown of eligible costs and the period of eligibility will be defined in the competition documentation.

### **9.1 Costs eligible for co-financing from the funds provided by NFEP&WM as loans and subsidies**

#### **9.1.1 Costs eligible for de minimis aid**

- 1) preparatory activities (including: technical concepts, feasibility study, environment impact report),

#### **9.1.2 Costs eligible for regional aid**

- 1) construction plans and detailed designs,
- 2) cost of purchase or production of new fixed assets, including:
  - a) structures and buildings (there should be a direct relation between acquiring buildings and structures and the goal of the project),
  - b) machines and devices,
  - c) tools, instruments and equipment,
  - d) technical infrastructure related to the new investment, where construction of technical infrastructure devices is understood as interior installations in technological facilities, media connections to technological facilities, roads and processing areas etc.,
- 3) cost of installing and activating fixed assets,
- 4) costs of purchasing materials or construction works, on the condition that they are directly related to objectives of the supported undertaking,
- 5) purchase of intangible assets and legal assets in form of: patents, licences, non-patented technical and technological knowledge or the knowledge on organisation and management,
- 6) costs of supervision.

### **9.2 Costs eligible for co-financing from funds provided under GIS subsidies**

- 1) cost of purchase or production of new fixed assets, including:
  - a) structures and buildings (there should be a direct relation between acquiring buildings and structures and the goal of the project),
  - b) machines and devices,
  - c) tools, instruments and equipment,
  - d) technical infrastructure related to the new investment, where construction of technical infrastructure devices is understood as interior installations in technological facilities, media connections to technological facilities, roads and processing areas etc.,
- 2) cost of installing and activating fixed assets,
- 3) costs of purchasing materials or construction works, on the condition that they are directly related to objectives of the supported undertaking,
- 4) purchase of intangible assets and legal assets in form of: patents, licences, non-patented technical and technological knowledge or the knowledge on organisation and management,
- 5) costs of supervision.

VAT is not an eligible cost, if the beneficiary is able to claim for refunding or deducting VAT. If the beneficiary is not able to claim for refunding or deducting VAT - VAT is an eligible cost.

## **10. Procedure for selection of undertakings**

1. Applications for co-financing in a form of a subsidy are appraised on a competitive basis.
2. Detailed procedure of projects selection is defined in the Rules and Regulations of competition.
3. During competition procedure and during appraisal of the applications referred to in point 1, "Handbook of procedures for co-financing undertakings from NFOŚiGW's funds" applies in the non defined matters.
4. Applications for co-financing in the form of a loan are appraised under the continuous procedure, without prejudice to points 5 and 6.
5. An application referred to in point 4, shall be submitted together with the subsidy co-financing application following the time schedule published on the NFOŚiGW's website: [www.nfosigw.gov.pl](http://www.nfosigw.gov.pl)
6. Appraisal of the applications, referred to in point 4, shall be conducted following the schedule specified in the Rules and Regulations of the competition.

## **11. Other requirements**

1. Beneficiary of the co-financing (when awarding procurements) is obliged to apply provisions of the Public Procurement Act (Dz. U. of 2007 No 223, item 1655, as amended), hereinafter referred to as the PPA, in case when he is the contracting party within the meaning of article 3 section 1 of the PPA including the case when conditions mentioned in article 3 section 1 point 5 of the PPA are fulfilled.
2. In case when Beneficiary is not the contracting party mentioned in point 1, when awarding procurements he is obliged to apply rules of equal treatment, fair competition and transparency defined in article 3 section 3 of the PPA by concluding contracts in writing (unless other form is reserved for a given activity) in form of auction or tender mentioned in article 70<sup>1</sup>—70<sup>5</sup> of the Civil Code.

## DGC (dynamic generation cost)

**DGC** – dynamic generation cost is equal to the price which allows for gaining discounted income equal to discounted costs. In other words, the DGC index shows the technical cost of obtaining the environmental effect unit. The cost is expressed in PLN per environmental effect unit. The lower the value of the index, the more efficient is the project.

### Formula for calculating DGC index

$$DGC = p_{EE} = \frac{\sum_{t=0}^{t=n} \frac{KI_t + KE_t}{(1+i)^t}}{\sum_{t=0}^{t=n} \frac{EE_t}{(1+i)^t}}$$

**KI<sub>t</sub>** – investment expenditures in year **t**

**KE<sub>t</sub>** – operational costs in year **t**;

**i** – discount rate (in decimal fraction);

**t** – year, values from **0** to **n**, where **0** is the year when first costs are incurred and **n** is the last year of operating the installation;

**EE** – measure of environmental effect obtained in particular years in physical units. Environmental effect which is assigned the price **p<sub>EE</sub>** per physical unit (with the assumption that the price is fixed in the whole period of analysis);

**p<sub>EE</sub>** – price for physical unit of the environmental effect.

| Title of priority programme | Green Investment Scheme - Part 3) - biomass heat and power plants |   |              |         |                              |
|-----------------------------|---|---|--------------|---------|------------------------------|
|                             | proceeds  | Indices of achieving the object / Greening effect |              |         |                              |
| AAUs buyer                  | in thousand PLN   | product index                                     | result index |         | impact index - CO2 reduction |
|                             |   | MW  | MWh/year     | GJ/year | Mg CO2/year                  |
| <b>EBOR Ireland</b>         | 13 500,00   | 16  | 131 200      | 472 320 | 40 700                       |
| <b>EBOR Spain</b>           | 22 500,00   | 27  | 218 000      | 784 800 | 67 700                       |
| total                       | 36 000,00   |   |              |         |                              |