Decarbonization Incentive Program

Output-Based Pricing System Proceeds Fund

APPLICANT GUIDE February 2022





Cat. No.: En4-451/2022E-PDF ISBN: 978-0-660-41503-1 EC21230.06

Unless otherwise specified, you may not reproduce materials in this publication, in whole or in part, for the purposes of commercial redistribution without prior written permission from Environment and Climate Change Canada's copyright administrator. To obtain permission to reproduce Government of Canada materials for commercial purposes, apply for Crown Copyright Clearance by contacting:

Environment and Climate Change Canada Public Inquiries Centre 12th Floor, Fontaine Building 200 Sacré-Coeur Boulevard Gatineau QC K1A 0H3 Telephone: 819-938-3860 Toll Free: 1-800-668-6767 (in Canada only) Email: <u>enviroinfo@ec.gc.ca</u>

© Her Majesty the Queen in Right of Canada, represented by the Minister of Environment and Climate Change, 2022

Aussi disponible en français

Table of Contents

Contents	
1. Purpose of this Guide	4
2. The OBPS Proceeds Fund Overview	4
2.1 Pricing Carbon Pollution	4
2.2 The Federal Approach for Returning OBPS Proceeds	4
2.3 Program Objectives	5
3. Program Requirements	5
3.1 Eligible Provinces	5
3.2 Eligible Applicants	5
3.3 Eligible Facilities	5
3.4 Ineligible Facilities	5
3.5 Project Eligibility	6
Table 1: Example Eligible Activities	6
3.5.1 Technology Readiness Level	7
3.5.2 Material GHG Reductions	7
3.5.3 Incremental GHG Reductions	8
3.5.4 New Buildings & Facility Production	8
3.5.5 Electricity or Fuel Production for Own-Use	9
4. Funding Parameters and Project Expenditures	9
4.1 Minimum and Maximum Program Funding Amounts	9
4.2 Cost-Sharing and Stacking Limits	10
4.3 Eligible Expenditures	10
4.4 Ineligible Expenditures	11
5. Project Considerations	12
5.1 Duty to Consult	13
5.2 Impact Assessment	13
5.3 Job Estimates	13
6. Application Process	14
6.1 Application Period	14
6.2 Submitting an Application	14
7. Application Assessment & Project Selection	15
7.1 Eligibility Screening	15
7.2 Merit Evaluation	16

7.2.1. GHG Emissions Reductions	16
7.2.2. Co-benefits	16
7.2.3. Risks and Risk Mitigation Measures	18
7.3. Project Selection & Notification	18
8. Funding Agreements & Reporting	19
8.1. Funding Agreements	19
8.2. Standard Reporting Requirements	19
8.3. Performance Reporting	20
9. Claims, Audit & Evaluation	20
9.1. Submitting a Claim and Payment of Funding	20
9.2 Audit and Evaluation	21
9.2.1 Site Visits	21
9.2.2 Audits	21
9.2.3 Program Evaluation	21
10. Privacy and Confidentiality	21
11. Service Standards	22
Annex A: Definitions and Acronyms	22
General Definitions	22
Activity Type Definitions	24
Acronyms	25
Annex B: Application Form Walkthrough	26

1. Purpose of this Guide

This Applicant Guide has been developed to assist applicants in completing and submitting their application to the Decarbonization Incentive Program (DIP) stream of the Output-Based Pricing System (OBPS) Proceeds Fund. This Guide outlines key program requirements, including eligibility criteria for applicants and <u>projects</u>, merit criteria for project selection and mandatory documentation. The Guide also provides detailed instructions for completing and submitting an application form through the on-line application system called the Program Information Management System (PIMS).

Please read this Guide carefully, including all the annexes. To start an application within PIMS, please register with the Single Window Information Management (SWIM) system by following the instructions available on <u>Reporting through Single Window: Environment and Climate</u> <u>Change Canada</u>.

Should you have any additional questions you may wish to visit <u>Decarbonization Incentive</u> <u>Program: what you need to know</u> or contact Environment and Climate Change Canada (ECCC) at <u>fonds-stfr.obps-fund@ec.gc.ca</u>.

2. The OBPS Proceeds Fund Overview

2.1 Pricing Carbon Pollution

In December 2020, the Government of Canada released its strengthened climate plan (SCP), <u>A</u> <u>Healthy Environment and a Healthy Economy</u>, outlining federal policies, proposals, programs and \$15 billion in investments to build a stronger, cleaner, more resilient and inclusive economy. The SCP confirmed that the Government of Canada will continue to put a price on carbon pollution, rising until 2030. The strengthened price trajectory is critical to delivering on Canada's heightened climate ambition, including the target of reducing <u>greenhouse gas</u> (GHG) emissions to 40-45% below 2005 levels by 2030 and reaching net-zero emissions by 2050.

The <u>Output-Based Pricing System (OBPS)</u> is designed to put a price on the carbon pollution of large industrial facilities, while mitigating the risks of carbon leakage and adverse competitiveness impacts that could result from carbon pollution pricing under the federal fuel charge or in certain cases, a provincial fuel charge or levy. Covered facilities are required to provide compensation for GHG emissions that exceed an emissions limit and are issued surplus credits if their emissions are lower than the applicable emissions limit. Facilities can sell surplus credits or bank them for use in future years.

To ensure that carbon pollution pricing is applied throughout Canada, the OBPS applies to any province or territory that requests it or that does not implement its own system that meets the federal benchmark requirements. These provinces and territories are referenced in this document as backstop jurisdictions.

2.2 The Federal Approach for Returning OBPS Proceeds

The Government of Canada has committed to return proceeds collected from the OBPS to jurisdictions of origin. Jurisdictions that have voluntarily adopted the OBPS can opt for a direct transfer of proceeds collected. Proceeds collected in other backstop jurisdictions (current or past) will be returned through the two program streams of the OBPS Proceeds Fund.

The Decarbonization Incentive Program (DIP) is a merit-based program that incentivizes the long-term decarbonization of Canada's industrial <u>sectors</u> by supporting clean technology

projects to reduce GHG emissions. Proceeds collected from most OBPS facilities will be returned via DIP to backstop jurisdictions.

The Future Electricity Fund (FEF) stream is designed to support clean electricity projects and/or programs. Proceeds collected from OBPS covered electricity generating facilities (i.e. utilities) are expected to be returned through funding agreements with governments of backstop jurisdictions. An open call for project proposals is not anticipated under FEF.

This Guide is solely focused on the requirements for DIP, hereafter referred to as "the Program."

2.3 Program Objectives

The Program's key objective is to incentivize long-term decarbonization of Canada's industrial sectors and support Canada's GHG emissions reductions goals. The Program will support single or multi-year projects to accelerate the deployment of <u>commercially available</u> and proven low-carbon technologies and processes that will further reduce GHG emissions in backstop jurisdictions.

3. Program Requirements

To be considered for funding under the Program, applicants must meet all of the program requirements and eligibility criteria outlined in Section 3.

3.1 Eligible Provinces

In order to return proceeds from the OBPS to the jurisdictions of origin, the Program will be delivered in provinces where the OBPS is currently in effect or has been applied in the past. Please consult the <u>Decarbonization Incentive Program</u> for an up-to-date list of eligible provinces.

3.2 Eligible Applicants

To be considered for funding under the Program, applicants must:

- be legal entities incorporated or registered in Canada
- operate or have a controlling ownership stake in an eligible OBPS covered facility, located in one of the eligible backstop provinces (as per Section 3.1 and 3.3)
- demonstrate* they have the authority over the facility or asset to undertake the project

*Applicants will be required to provide proof of ownership or a declaration of written authority showing that the applicant has permission from the owner to undertake the project.

3.3 Eligible Facilities

To be considered for funding under the Program, projects must occur at eligible covered facilities. Eligible facilities are those that:

- are located within an eligible province (see Section 3.1)
- are or were subject to OBPS Regulations, and
- do not generate electricity as their primary <u>activity</u> (see Section 3.4 for more details)

3.4 Ineligible Facilities

Utility electricity generation facilities are not eligible for funding under the Program. This includes facilities that are primarily engaged in the generation of electric power for sale (i.e., those with a primary NAICS code of 22111) as well as standalone district energy system facilities that sell

both electricity and heat or cooling services (i.e., those with a primary NAICS code of 22133). Proceeds collected from these types of facilities will be used to fund the FEF program stream, as described in Section 2.2.

However, facilities that generate and use electricity for other activities, in whole or in part, are eligible to apply if they meet other program eligibility criteria. For example, industrial facilities (such as a facility with an integrated cogeneration unit) or institutional facilities (such as universities or hospitals with campus power plants) that generate electricity and use it to support their own activities would be considered eligible.

3.5 Project Eligibility

To be considered for funding under the Program, the project must occur at an eligible facility per Section 3.3 and result in GHG emissions reductions. To be eligible, these GHG emissions reductions must be:

- <u>material</u> in the year 2030 and measurable over the lifetime of the project
- affecting sources of GHG emissions either within the facility's direct control and/or from acquired sources of energy such as electricity or purchased heat/steam, and
- <u>incremental</u> to GHG emissions reductions obtained by other required actions, such as regulatory requirements or business-as-usual maintenance and repairs

More information on how to determine GHG emissions reductions associated with the proposed project can be found in the *GHG Estimation Guide for Projects*, available for download in PIMS along with the required GHG workbook.

Examples of eligible project activities are listed in Table 1 below. This list is not exhaustive – activities not listed that meet all other eligibility criteria could be considered eligible. Work associated with the project that does not directly result in GHG emissions reductions may still be eligible for funding if it is required to complete eligible activities (e.g., required training to operate equipment, building of outbuildings to house equipment, etc.). For definitions of these activity types, please see Annex A.

Activity Category	Activity Types
Energy efficiency	Stationary equipment retrofits for energy efficiency
	Mobile equipment retrofits for energy efficiency
	Building envelope upgrades (insulation, windows, doors)
	Heat recovery
Fuel switching	Stationary equipment retrofits for fuel switching
	Mobile equipment retrofits for fuel switching
Energy production	Clean electricity production for own use
	Low-carbon fuel production for own use
	Cogeneration or combined heat & power production
	District energy and/or heating
Non-energy related	Organics diversion
	Industrial process changes
	Industrial product use changes (e.g., refrigerants)
Carbon capture	Carbon capture & storage
	Carbon capture & utilization

Table 1: Example Eligible Activities

Projects will be assessed to ensure they are eligible as described above. In addition, projects will be screened for specific eligibility criteria through questions in the application, explained in detail in Subsections 3.5.1 through 3.5.4 below.

3.5.1 Technology Readiness Level

The Program will only fund projects using technologies at a <u>Technology Readiness Level</u> (TRL) of 8 or above (i.e., the technology has been proven to work in its final form under expected conditions). For more information on TRL levels, please see the <u>Technology Readiness Level</u> <u>Assessment Tool</u>.

The Program will not support projects that make use of technologies that are still being developed or are unproven. However, if the project represents the *first* full implementation of key technologies (e.g., a demonstration project has been completed), it is still eligible under this criterion.

3.5.2 Material GHG Reductions

In order to be considered for funding, projects must result in material and direct GHG reductions. GHG reductions are material if the results are tangible, measurable, achievable, and contribute meaningfully towards Canada's GHG reduction targets.

In particular, the following activities are NOT eligible for funding, as they do not meet the requirement of material GHG reductions:

- Research, Development & Demonstration (RD&D): Projects with <u>RD&D</u> activities are not eligible for funding. Any RD&D activities aimed at demonstrating the effectiveness of a product or technology used as part of the project must be concluded prior to the application. Any concurrent RD&D activities must be excluded from the project scope and expenditures, and project results (e.g., GHG emissions reductions) cannot be dependent on prospective results of these activities.
- **Capacity Building:** In order to focus on activities that result in direct GHG emissions reductions, <u>standalone educational</u> or <u>capacity building</u> projects will not be funded. However, it should be noted that technical staff or end-user training directly related to the implementation of the project is not considered a "standalone" element and can be eligible for funding.
- Standalone Studies: <u>Feasibility studies</u> or other prospective studies are not eligible for funding and cannot be included as an element of a proposed project. The project cannot be dependent on any preliminary or other prospective studies aimed at informing the decision of whether to go forward with the initiative. Such studies must be completed before the application is submitted. The project cannot be a standalone engineering study without the action of the project. The project must include concrete actions that will lead to measurable GHG reductions.
- **Behavioural Change:** In order to focus on activities that result in assured, in-scope GHG emissions reductions, projects with the primary aim of incenting <u>behavioural</u> <u>change</u>, either of persons working for an applicant organization or otherwise, are not eligible for funding. For example, projects that monitor energy use to encourage reductions in consumption but do not implement energy-saving technology are not eligible for funding. However, monitoring equipment associated with automated controls for other activities can be eligible for funding.

3.5.3 Incremental GHG Reductions

Projects must have incremental GHG reductions to be eligible for funding. GHG emissions reductions are incremental if they will be achieved relative to what would occur in the business-as-usual scenario.

Projects or activities that are required to be undertaken for regulatory compliance are not eligible for funding. Note that this does not preclude eligibility of expenditures for steps of project implementation that are required by regulation, such as obtaining required assessments or permits. Furthermore, it is recognized that all applicants will be participants in the OBPS, a regulatory system. As such, activities that reduce OBPS compliance obligations and/or result in surplus credits are expected and eligible.

Activities that must be undertaken as part of routine maintenance are not eligible for funding. In addition, the replacement of equipment that has failed or has reached the end of its useful life is not eligible for funding, unless it can be demonstrated that the replacement represents a significant improvement over an appropriate baseline. For example, a deep retrofit that would eliminate the use of traditional fossil fuels rather than increase the efficiency of the existing emitting technology may be eligible even if the equipment being replaced is at end-of-life. More information on how to account for anticipated changes to existing equipment over time can be found in the *GHG Estimation Guide for Projects*, available for download in PIMS.

Finally, projects registered and/or generating credits under an existing GHG offset system are ineligible to receive funding under the Program. Applicants must choose either funding from the Program or offsets and may not choose both. Similarly, the recipient of a funded project cannot sell any of the reductions from the project into an offset market.

3.5.4 New Buildings & Facility Production

Projects that involve the construction of new buildings or the expansion of production at an existing facility (requiring new buildings or otherwise) must meet additional eligibility requirements in order to ensure that the GHG reductions are material and incremental. In particular, to be eligible, projects must obtain GHG reductions that are not in their entirety relative to a hypothetical <u>baseline scenario</u> for new operations.

- **New Buildings:** Projects based on the construction of new buildings (i.e., wherein the project revises the design of a planned but not yet built building to incorporate additional energy-saving or GHG-reducing measures) are ineligible. However, if a new building is required to house equipment that is otherwise necessary for the project, the new building element may be eligible for funding as part of the project. Finally, activities occurring on or in buildings that have not yet been completed may be eligible if it can be clearly demonstrated that they are not essential to the completion of the building (e.g., adding solar panels to a new building may be eligible, as electricity production is not a requirement to complete a building, but installing a lower-emitting heating system would not be eligible as buildings require heating systems to be complete).
- New Production: A project cannot solely obtain GHG reductions from emissions arising from future production at the facility. Projects should count the impact of GHG emissions from planned expansions of production (e.g., adding a new production line, expanding a mine), but projects that are solely associated with new production at a facility, where no GHG reductions occur to existing sources of emissions, are not eligible. Please note that project expenditures associated with the increase in production that do not also result in the decrease of GHG emissions are not eligible expenditures.

Example of eligible new production: A manufacturing facility requires steam for its operations. The proposed project involves replacing the steam equipment at the facility with loweremitting steam equipment. The facility will also increase output in the future, requiring more steam, as the facility will be adding a new wing to meet increased demand. In the baseline scenario where the steam equipment is not replaced, this additional output would be provided by increasing the operational time of the current steam equipment and by adding an additional boiler. Since the activity of replacing the steam equipment affects the emissions intensity of existing production as well as future production, this project is eligible for consideration. The project's GHG emissions reductions will include both the reductions for existing production and future production relative to the baseline scenario.

Example of ineligible new production: A manufacturing facility is building a new wing to expand production. The proposed project involves buying equipment for the new wing that is more efficient than what is average or standard for the industry. The equipment will only be used in the new wing and will not change the GHG emissions associated with any existing production. As the project's GHG emissions reductions are wholly with respect to hypothetical emissions from new production, the project is ineligible for consideration.

3.5.5 Electricity or Fuel Production for Own-Use

Projects producing electricity or low-carbon fuels must primarily do so for <u>own-use</u>, i.e., to offset the consumption of electricity or fuels at the project facility. Sale of excess electricity or fuel to the market is allowed, but a majority (more than 50%) of the energy content must be able to be used within the facility's own operations.

Electricity generating assets are expected to be located at or adjacent to the facility such that they may be considered "behind-the-fence" installations. Third parties may not construct electricity generating systems with the intention of selling electricity directly to the grid, regardless of the site of the assets. As such, ownership restrictions of the electricity generating assets may be applied on a case-by-case basis.

In the case that a project involves the construction of or expansion of a cogeneration (i.e., combined heat and power) plant that will produce additional electricity alongside heat to be used in that facility's operations (e.g., for space heating or process heat requirements), the own-use criteria is considered met regardless of the percentage of electricity that can be used by the facility.

4. Funding Parameters and Project Expenditures

4.1 Minimum and Maximum Program Funding Amounts

The total amount of program funds available to be delivered in an eligible province is dependent on the amount of proceeds that have been collected in a given compliance year for that jurisdiction. Applicants may only access the funds that are available in the province where their facilities are located.

Regardless of available funding, projects may not request more than \$10 million in total project funding from the Program. Projects must also request a minimum of \$500,000 of total project funding, while respecting the cost-share limits described below.

Please visit the <u>Output-Based Pricing System Proceeds Fund</u> for information on the current amount of funds that have been allocated to respective eligible provinces and align your request for funding accordingly.

4.2 Cost-Sharing and Stacking Limits

The Program may contribute up to the following maximum funding amounts per project:

- for private for-profit organizations: up to 30% of total eligible expenditures of the project
- for universities and hospitals or any other public sector body or board, and for not-forprofit organizations: up to 40% of total eligible expenditures of the project

The maximum level of assistance from all governmental sources of funding (including federal, provincial/territorial, and municipal) is 75% of the total expenditures of the project.

4.3 Eligible Expenditures

Eligible expenditures are expenses considered by ECCC to be direct and necessary for the successful implementation of an approved project. Contributions will be made towards eligible expenditures directly related to eligible projects that, in the opinion of ECCC, are reasonable and required to achieve program objectives and outcomes. Eligible expenditures must be incurred between the date of the signature of the <u>funding agreement</u> and the project's end date, which cannot be later than March 31, 2026. Any expenditures incurred before or after these dates would be considered ineligible and would not be reimbursed. Eligible expenditures include, but are not limited to the following:

- a) acquiring, constructing, rehabilitation and improvement of Assets
- b) material and supplies
- c) professional fees for contracted services, such as accounting, communications, official languages translation, audit, GHG emission reductions and energy savings estimate verification, and results monitoring, measuring and reporting
- d) planning and assessment, such as surveying, engineering, architectural supervision, testing, and management consulting services. Canada will only contribute up to a maximum of 5% of its total contribution to the Project towards these costs unless otherwise agreed to by Canada
- e) all capital expenditures, including site preparation and construction expenditures, only once ECCC is satisfied that the Government of Canada's obligations, if any, related to the *Impact Assessment Act, 2019* and the legal duty to consult with, and accommodate, Indigenous peoples have been met
- f) expenditures associated with performing activities related to the project by contractors
- g) licenses and permits
- h) renting or leasing of equipment related to the construction of the project
- i) training related to new technologies, equipment, software and systems
- engineering and environmental reviews, including costs related to an environmental or impact assessment, and the costs of mitigation measures, follow-up, and remedial activities identified in any environmental or impact assessment

- k) consultation of Indigenous groups, specifically Project-related consultation activities arising as a result of the Government of Canada's legal duty to consult, where applicable
- salaries and benefits for employees on the recipient's payroll, for actual time spent by the employees on the projects. Canada will only contribute up to a maximum of 2% of its total contribution to the Project towards these costs unless otherwise agreed to by Canada provided that:
 - 1. the recipient is able to demonstrate that it is not economically feasible to tender a contract and clearly demonstrate that there is value for money in using internal employees
 - 2. the employee is engaged directly in respect of the work that would have been the subject of the contract, and
 - 3. the arrangement is approved in advance and in writing by Canada
- m) joint federal communication activities (e.g. press releases, press conferences, translation) and project signage related to funding recognition
- n) travel expenditures (including the cost of accommodations, vehicle rental and kilometric rates, bus, train, airplane or taxi fares, allowances for meals and incidentals). Canada will only contribute up to a maximum of 5% of its total contribution to the Project towards these costs unless otherwise agreed to by Canada. Of note, travel and per diem expenses cannot be more than the rates and allowances determined in the Travel Directive of the National Joint Council
- provincial/territorial sales tax, goods and services tax, or harmonized sales tax for which the recipient or a third party is not eligible for a rebate, and any other costs that are ineligible for rebate, and
- p) other costs that, in the opinion of Canada, are considered to be direct and necessary for the successful implementation of a Project and have been approved by Canada in writing prior to being incurred

Applicants must provide detailed budgetary and expenditure information in their application by completing the Work Breakdown Structure & Budget Workbook, available for download in PIMS.

4.4 Ineligible Expenditures

Certain expenditures are not eligible for funding; therefore, applicants must not include them in the calculation of the total eligible expenditures of the proposed project. Ineligible expenditures include, but are not limited to:

- a) expenditures related to developing a business case or proposal for funding
- b) any expenditures related to a contract signed prior to signing of the funding agreement
- c) expenditures related to purchasing land, buildings and associated real estate and other fees, and vehicles; leasing land, buildings, and other facilities; and leasing equipment other than equipment directly required for the construction of the Project
- d) financing charges and interest payments on loans, including those related to easements and servitudes (e.g. surveys)
- e) amortization of unrealized appreciation of assets and depreciation of assets

- f) interest, penalties and fines
- g) allowance for interest on invested capital, bonds, debentures, bank, or other loans together with related bond discounts and finance charges
- h) legal fees
- i) costs of renting or leasing of equipment, except those specified as eligible expenditures
- j) furnishing and non-fixed assets which are not essential for the operation of the project
- k) expenditures associated with operating expenses and regularly scheduled maintenance work
- I) provisions for contingencies
- m) premiums for life insurance on the lives of officers and/or directors
- n) any goods and services which are received through donations or in-kind contributions
- o) any business expenses, including but not limited to: advertising and promotion (non-program/project specific), bank charges (non-program/project specific); computer maintenance expenses; insurance, memberships and subscriptions; rent and utilities, repairs and maintenance expenses; other indirect type of expenditures relating to the organization's office(s)
- p) all capital costs, including site preparation and construction costs, until Canada is satisfied that Canada's obligations, if any, related to applicable federal environmental assessment or impact assessment legislation and agreements between Canada and Indigenous groups, and the legal duty to consult with, and accommodate, Indigenous groups have been met
- provincial/territorial sales tax, goods and services tax, or harmonized sales tax for which the recipient or a third party is eligible for a rebate, and any other costs eligible for rebates
- r) increase in compensation for officers and employees
- s) entertainment expenses, and
- t) dues and other memberships

All expenditures incurred prior to the signing of a funding agreement between ECCC and the recipient or after the project's end date (no later than March 31, 2026) are ineligible for funding. This includes any expenditures related to contracts signed prior to the signing of the funding agreement. Applicants can choose to, at their own risk, issue requests for proposals (i.e. tender) for project-related work prior to the signature of the funding agreement. This undertaking would not affect the eligibility of expenditures as long as contracts are only signed after date of the signature of the funding agreement.

5. Project Considerations

To be considered for funding, applicants will be required to identify any potential impacts that their proposed project may have on Indigenous Rights and/or environmentally sensitive areas in their application.

5.1 Duty to Consult

The Government of Canada may have a legal duty to consult with, and if applicable, accommodate, Indigenous Peoples when it contemplates conduct that might adversely impact Indigenous or treaty rights. These rights include, but are not limited to, the right to hunt, fish, and practice traditional activities and ceremonies. ECCC will assess potential impacts of projects on these constitutionally protected Indigenous and treaty rights to ensure that those affected are properly notified, consulted and, where required, accommodated.

While the duty to consult is an obligation that rests with the Crown, the Government of Canada will expect funding recipients under the Program to carry out certain procedural aspects of consultation on a proposed project, where appropriate (e.g. providing notification letters to, and organizing consultation sessions with, Indigenous communities that will be affected by the proposed project).

5.2 Impact Assessment

Depending on where a project is located, applicants may be required to complete an impact assessment(s) prior to undertaking certain activities. Applicants are responsible for determining whether their project may require an assessment under the federal *Impact Assessment Act*, and ensuring the assessment is completed. If you are unsure of your responsibilities, please consult your provincial/territorial government and/or the <u>Impact Assessment Process Overview</u> on the basics of the federal impact assessment.

5.3 Job Estimates

At the application stage, applicants will be required to provide ECCC with details on the jobs created as a result of their proposed project. The estimates are mandatory for program reporting and successful applicants will be required to provide updated estimates of jobs created as a result of this project, from project start to completion. When completing the application form, applicants must provide two types of job estimates for the project:

- **Project implementation jobs:** new and direct full-time equivalent (FTE) jobs that are anticipated to result from implementation of the project (e.g. engineering, procurement, construction, installation, commissioning, and related jobs).
- **Annual change in jobs:** the average change in FTE jobs per year expected to occur at the facility after the project is complete (e.g. changes to ongoing operational and maintenance jobs). Please note that the change in jobs at the facility may be negative or positive.

To ensure these estimates use a comparable approach, please use the following guidance and provide relevant methodological details in the application form.

- **Direct jobs** are those that are new and directly paid for by the applicant in order to implement the project. For example, jobs that are created directly at your own company or contractors hired to implement the project should be counted towards this estimate. These jobs should also align with jobs associated with eligible expenditures for the project.
- **Indirect jobs** should not be included in these estimates. For example, if you are purchasing a new piece of equipment needed for your project, the jobs created to manufacture the new equipment should not be included in your job estimates.

• FTE is calculated by the total hours worked divided by average annual hours worked in full-time jobs (e.g. 40 hours x 52 weeks = 2,080 hours). The exact hours for each full-time job should be appropriate for your organization and the relevant jobs. Part-time jobs (or jobs that only are related to this project for part of a year) should be counted proportionally towards total FTEs.

6. Application Process

ECCC is committed to a consistent, fair, and transparent process to identify, select, and approve the allocation of funding to projects that best fit the objectives of the Program.



6.1 Application Period

Applications will be accepted on a continuous basis for a minimum of two months after program launch. Applications will be accepted until the total funding within their respective eligible province has been allocated.

Selection of projects for funding will be based on eligibility criteria and the competitive evaluation of applications using merit criteria. For more details on program eligibility requirements please see Section 3 of this Guide. For more details on merit criteria for the Program, please see Section 7.

6.2 Submitting an Application

Applications will be accepted online on an ongoing basis through ECCC's Program Information Management System (PIMS), accessible through the Single Window Information Management (SWIM) system login. Please visit <u>Reporting through Single Window: Environment and Climate Change Canada</u> for instructions on how to register in SWIM and consult Annex B of this Guide before completing the online application form.

Applicants must include answers to all mandatory questions in the application form, provide proof of ownership or a declaration of written authority that the applicant has permission from the owner to undertake the project, and complete two mandatory Excel workbooks. These workbooks are available for download through PIMS:

- GHG Workbook: the required template to provide GHG emissions reduction estimates, and
- Work Breakdown Structure & Budget Workbook: the required template to provide project workplan, budget, and funding request calculations

The essential information should be provided in response to application questions in the application form or contained in the workbooks as required. Applicants may also provide supplementary material to support components of their application, but this content will not be necessarily reviewed in detail.

Eligible applicants must submit a separate application for each project they wish to have considered for funding. There are no limits to the number of applications that can be submitted by an eligible applicant.

Please note that ECCC may seek applicants' permission to direct their applications to alternative Government of Canada funding sources and opportunities for consideration.

7. Application Assessment & Project Selection

Priority will be given to projects that result in meaningful GHG emissions reductions and support long-term decarbonization of the relevant OBPS covered facility or sector. The assessment of projects consists of three key steps: 1) Eligibility Screening, 2) Evaluation, and 3) Project Selection. Applications are reviewed as submitted; however, ECCC reserves the right to contact applicants during the assessment process to clarify application details. It is the responsibility of the applicant to provide comprehensive, clear, and complete information when submitting their application. For further information and instructions on how to complete the online application form, please consult <u>Annex B</u> of this Guide.

7.1 Eligibility Screening

Applications will be reviewed to confirm:

- 1) all elements of the application are complete
- 2) the applicant, facility, and all project activities are eligible for funding
- 3) the project is incremental to existing projects, and
- 4) requested funds follow the program's funding parameters

If the application does not meet program eligibility criteria, it will not be assessed further and the applicant will be notified of the reason(s) for rejection.

If applications are incomplete or contain straightforward errors, ECCC may provide applicants the opportunity to withdraw their applications, make corrections, and re-submit. Resubmissions will be assessed as new applications from the resubmission date, not the original submission date.

7.2 Merit Evaluation

The merit of each project will be evaluated and rated by a cross-disciplinary review committee, comprised of technical, financial and program experts from ECCC, other federal departments and in some cases, external organizations, based on a combination of the following elements:

- **GHG emissions reductions**, through two primary metrics:
 - federal dollars invested per tonne of GHG emissions reductions in <u>carbon dioxide</u> <u>equivalent</u> (CO₂e) achieved in the year 2030 (federal <u>cost-effectiveness</u>)
 - \circ the approximate percentage by which the project will reduce the facility's annual GHG emissions
- non-GHG benefits (**co-benefits**), such as benefits to clean growth, the environment, Indigenous communities, diversity and inclusion, and health and safety

In addition, projects will be assessed for implementation risks and risk mitigation measures.

7.2.1. GHG Emissions Reductions

GHG emissions reductions estimates will be evaluated to ensure they meet the standards laid out by ECCC. These standards are described in detail in the GHG Estimation Guide for Projects, available for download along with the mandatory GHG Workbook in PIMS. This evaluation will include assessments of the level of uncertainty, articulation of assumptions used to prepare estimates, conservativeness, and justification for approach taken. Merit ratings will depend on the results of this evaluation, the 2030 cost-effectiveness of the project, and the approximate percentage by which the project will reduce the facility's annual GHG emissions.

The cost-effectiveness of a project refers to the number of federal program dollars (funding) invested per tonne of GHG emissions reductions. For this program, cost-effectiveness is calculated as the ratio of funding to the project's estimated GHG emissions reductions (in CO₂e) in 2030 (2030 cost-effectiveness).

For this program, the percentage of total facility emissions reduced is calculated by the OBPS facility's reported GHG emissions for the most recent reporting year, in relation to the estimated GHG emissions reductions from the project in 2030. Please provide the most current facility GHG emissions in Section 1.5 of the GHG Workbook to ensure your project can be assessed on this criterion.

ECCC reserves the right to modify GHG emissions estimates provided by applicants, either through clarification with applicants or unilaterally, in order to ensure the methodologies are comparable between projects. Applicants providing insufficient methodological information may be required to provide additional information during ECCC's evaluation.

7.2.2. Co-benefits

The Program will aim to support projects that will result in additional non-GHG benefits or "cobenefits." Co-benefits will be evaluated to consider the economic, social, and other environmental benefits offered by a project. This section outlines the five overarching co-benefit categories that will be evaluated, with examples for each category. Projects may be funded on the strength of GHG outcomes alone; however, projects with significant co-benefits in addition to GHG outcomes may be given preference. Co-benefits that align with program objectives (Section 2.3) are listed below as "priority" cobenefits and correspond with specific questions in Section 5.1 of the application form. Priority co-benefits that are deemed to be significant during project evaluation will improve a project's overall merit assessment and increase its chance of selection. Applicants may also provide information on other, non-priority co-benefits in Section 5.2 of the application form. Co-benefits not identified as program priorities that are found to be significant may also influence project selection for funding.

For each co-benefit the project may achieve, applicants should provide justification for how their project will result in each co-benefit with information that is quantifiable (to the extent possible) and verifiable. Where quantitative information is not available, qualitative information should be provided. If applicable, relevant supporting documents can also be attached; however, complete answers must be provided in the application form to ensure the co-benefit is assessed. For additional guidance and examples on what information to provide on each co-benefit, please consult Annex B of this Guide.

The examples listed below are not exhaustive. Applicants are encouraged to describe additional co-benefits not identified in the examples in one of the five categories or in the "Other" category in Section 5.2 of the application form, especially where they represent a significant benefit of the project.

Clean Growth Co-benefit Examples:

- **Priority:** The project will be part of the organization or facility's longterm decarbonization plan or formalized Net-Zero strategy. Describe the plan and the project's place within it.
- **Priority:** The project will create partnerships with clean growth firms, industry organizations or researchers. Describe any significant collaborations with external partners. If applicable, include Letters of Intent, Memoranda of Understanding, etc.
- **Priority**: Project will promote industry-leading technologies or environmental practices (e.g., the project will guide the sector towards a low carbon economy and influence similar projects to be undertaken in Canada in the future). Explain what technologies or environmental practices are considered industry-leading and how this project will promote them.
- The project will result in a significant decrease in upstream or downstream GHG emissions (e.g., project implementation will result in decreased use of materials that have significant production emissions or in increased production of zero-emission products for sale on the market). Describe these sources of emissions, which must be in addition to those included in the project's submitted GHG emissions reductions estimate, and how the project will reduce them.

Environmental Co-benefit Examples:

 The project will improve local air quality and/or lead to a reduction of air pollution (other than GHGs) by reducing pollutants classified as criteria air contaminants (e.g., nitrogen oxide, particulate matter). Describe the air pollutant(s) being reduced, how your project will reduce them, and provide estimates of both the level of reductions and the percentage reductions for your overall facility or operation's emissions to illustrate significance. If possible, provide the National Pollutant Release Inventory ID for your facility for reference. Please note that GHG emissions reductions are **not** assessed under this co-benefit.

- The project will result in a reduction in deforestation, land erosion and/or topsoil loss. Describe how the project will improve impacted land, such as a reduction in land area impacted, or a change in location of land used to reduce environmental impacts, or improvements to soil health, or an increase in cover/biomass of plant species.
- The project will improve biodiversity, habitat protection, and/or restoration. Describe how the project positively impacts biodiversity, including species at risk, through improved habitat conditions, ecosystem health, and/or supporting ecosystem adaptation and resilience.
- The project will improve waste and/or resource management. Describe how the project will result in any of the following impacts: less waste sent to landfills, reuse of any by-products that would otherwise be wasted, optimize/reduce use of water, reduced maintenance frequency or redundancy.

Indigenous Co-benefit Examples:

• **Priority:** The project will be advantageous to First Nations, Inuit, or Métis communities. Describe how the project will create employment, education, training, skills development or lead to the development of infrastructure in, or in service of First Nations, Inuit, or Métis communities.

Diversity and Inclusion Co-benefit Examples:

- The project will create employment, education, training, or other skills development for students/youth, minority groups and/or people with disabilities. Describe the specific opportunities or initiatives and which groups will be targeted.
- The project will align with the applicant's social responsibility strategy (such as Corporate Social Responsibility). Describe the strategy, highlighting relevant sections, and the project's place within it.

Health and Safety Co-benefit Example:

• The project will improve the health & safety of the workplace environment, such as positive impacts on indoor air quality, noise level, repetitive motion, temperature, etc. Describe how these impacts are obtained and their workplace benefits.

7.2.3. Risks and Risk Mitigation Measures

Applications will be evaluated for project and applicant risks. Applicants will be required to provide information on organizational and financial capacity, project design complexity, and workplan feasibility, identifying associated risks and accompanying risk mitigation strategies. Applications with an elevated level of risk and insufficient mitigation measures may be rejected or subject to additional monitoring and reporting requirements. Projects will be reassessed for risk level on a periodic basis after a funding agreement is executed.

7.3. Project Selection & Notification

ECCC will make the final decision as to which projects will be selected for funding and the level of funding that those projects will receive. While the Program will not have an appeal process, applicants may choose to revise an unsuccessful eligible project to improve its merit and reapply to the program during an open intake.

ECCC will notify both successful and unsuccessful applicants once a decision has been made. If a project is approved for funding, ECCC will issue a notification of approval-in-principle (AIP) by email and will indicate next steps toward signing a funding agreement. Please note that an approval-in-principle does not guarantee funding for the project; the signing of a funding agreement is the final step in the project approval process.

Funding may be subject to certain conditions, such as the completion of an environmental assessment, regulatory authorizations/permits, Crown-Indigenous consultation, or other commitments.

8. Funding Agreements & Reporting

8.1. Funding Agreements

Federal contributions to selected projects are contingent on the signing of a legally binding funding agreement between the Government of Canada and the successful applicant. Project selection itself is not a guarantee that federal funding has been finalized, and applicants assume the responsibility for any project expenditures incurred prior to finalizing an agreement with the Government of Canada.

The signing, or execution, of a funding agreement (by both parties) is the final step in the project approval process. The agreement will state the terms and conditions under which the Government of Canada will provide funding for the project. As approval will be based on the details provided in the application, the funding agreement will be drafted based on the scope of work and eligible funding request provided in the application. As such, ECCC will work with successful applicants to ensure that the project is appropriately represented in the funding agreement. It is therefore crucial to clearly define the scope of the project in the application since the recipient will be responsible for:

- completing the project according to the defined scope and within the timelines in the application
- covering any expenditure overruns above the budget identified in the application, and
- covering all expenditures associated with work performed outside the approved scope of a project

Failure to finish the project within the agreed upon timelines of the funding agreement may result in, including, but not limited to: a corresponding reduction of the federal funding, reclaiming of funds, and/or the termination of the funding agreement. Expenditures incurred for projects that are cancelled or withdrawn are ineligible for reimbursement.

Multi-year agreements will establish a funding amount per fiscal year adding up to the total contribution under the agreement. Payments will be subject to ECCC's review and approval of the required progress report to be submitted with each claim.

8.2. Standard Reporting Requirements

Successful recipients will be required to provide progress reports on work completed to date at specific time intervals that include, at a minimum, progress towards project implementation and up-to-date GHG reductions estimates, including whether any assumptions used to estimate GHG emissions have changed. The recipient may also be required to report on any changes to risks and co-benefits of the project.

Progress reports will be required at least twice a year, and must accompany any requests for payment. In addition, recipients will be required to submit documentation within three months of the end of the project(s), including a completion report, and an attestation that federal cost-shared projects have been completed and funds have been spent on eligible expenditures.

Detailed reporting requirements aligned to information solicited in project proposals will be outlined in the funding agreement. Reporting guidelines will be provided to recipients to clarify reporting expectations.

8.3. Performance Reporting

In order to improve ECCC's understanding of the long-term GHG outcomes of projects funded through the Program, applicants will be requested to submit performance data. Data will be collected through a performance report to be submitted after the project has been in operation for an amount of time agreed upon in the funding agreement by both parties.

The objective of a performance report is to determine how expected outcomes may have evolved after a project has been completed and is in operation. As such, projects that are straightforward and have low uncertainty regarding operational parameters or other assumptions affecting GHG emissions reduction estimates will not be asked to provide performance reports post-completion. Projects with significant sources of uncertainty that can only be resolved post-completion will be required to submit performance reports. The requirement of a performance report will depend on an assessment of uncertainty of outcomes at the application stage, prior to implementation of the project.

At a minimum, performance reports will require:

- updated technical information, such as operational efficiencies
- final updates to any time-dependent variables, such as hours of operation of key equipment, and
- corresponding updates to the GHG emissions reductions estimates

Details regarding performance report requirements will be specified in the funding agreement.

9. Claims, Audit & Evaluation

The funding agreement will lay out the process for submitting a claim and reports, and outline audit and evaluation requirements. ECCC will monitor activities, conduct audits and evaluations and seek information on project results.

9.1. Submitting a Claim and Payment of Funding

Recipients will be required to submit their claims for eligible expenditures through ECCC's PIMS. These expenditures must be incurred on, or after, the date that the funding agreement is signed by both parties and before the project's end date, which cannot be later than March 31, 2026. Successful applicants will have a three-month window following project completion to submit a final claim to ECCC for reimbursement.

With each claim, funding recipients will be required to submit proof of payment that provides an accounting of expenditures incurred and that permits ECCC to confirm that the expenses incurred are eligible. Original receipts and invoices issued to the recipient within the eligible period are required as proof of payment. Invoices must contain a breakdown of expenditures

and work completed that can be matched against the project as detailed in the funding agreement.

Payments will be made following review and approval of progress reports and claims. The basis of payment will be detailed in the funding agreement. Please note that Canada may withhold up to 10% of its funding to be paid out once a final reconciliation of all claims and payments is jointly completed by both parties at the end of the project.

The recipient shall inform ECCC of changes to the nature of the project, including changes to the legal status of the recipient, in order for ECCC to reassess eligibility. Failure to do so may result in expenditures being deemed ineligible and/or the termination of the funding agreement.

9.2 Audit and Evaluation

9.2.1 Site Visits

ECCC representatives, other Government of Canada employees, or external experts hired by the Government of Canada may require access to the site or facility premises where funded projects and activities are taking or have taken place. Successful applicants will be expected to grant access to Government of Canada employees or their representatives upon request. Such visits ensure that projects for which funding is approved are being carried out or implemented in accordance with the funding agreement.

9.2.2 Audits

Program recipients may be subject to an audit. Recipients selected for audit will receive notification in advance. Professional auditing firms retained by ECCC will carry out the audits. Recipients would provide reasonable and timely access to project sites and/or facilities at no cost, as well as any project-related documentation for the purposes of the audit.

9.2.3 Program Evaluation

ECCC may conduct an evaluation of its program. Successful applicants may therefore receive a request to provide performance-related information to ECCC's evaluator or to respond to a questionnaire to support the evaluation.

10. Privacy and Confidentiality

The information provided by an applicant in their application and in any other form will be used by the Government of Canada for the review, evaluation and selection of applications under the Program. The information may also be used to confirm past federal funding sought by the applicant.

Federal government institutions are bound by the requirements of the Access to Information Act and the Privacy Act, as well as the Library and Archives Canada Act. These laws apply to the use, disclosure and retention of information (such as personal, confidential or other) under the control of federal government institutions.

Applicants should note that ECCC may consult and share the information provided in applications with other federal government institutions for the purpose of assisting ECCC with project review and evaluation, determining eligibility under other federal government programs, and confirming past federal funding sought by an applicant. With applicant's permission, ECCC may also use and disclose the information to external experts (e.g., scientific, technical, financial, marketing, or commercialization), hired by the Government of Canada under contract

with confidentiality obligations, for the purpose of assisting ECCC with project review and evaluation and/or determining eligibility under other federal government programs.

In submitting an application, applicants are consenting to such uses, sharing and disclosures of the information for the purposes described above. Applicants are invited to clearly identify in their application the provision of any information that contains trade secrets, is confidential or that if disclosed, could reasonably be expected to result in material financial loss or gain to, or to prejudice the competitive position of, a third party, or, to interfere with contractual or other negotiations of a third party, as outlined in Section 20 of the *Access to Information Act*. Once a funding agreement is signed, the name of the successful applicant, location, date of approval, the funding amount, and the project description may be proactively disclosed to the public.

11. Service Standards

ECCC has established the following service standards to ensure the accurate and timely delivery of the application phase of the Program. ECCC will make every effort to:

- acknowledge the receipt of an application within 1 business day
- reply to general inquiries within 5 business days
- notify applicants of their application results within 90 business days of the application receipt date
- provide selected applicants with a formal funding agreement template within 10 business days of the notification of their AIP

Annex A: Definitions and Acronyms

General Definitions

Activity – A specific action or intervention targeted at changing GHG emissions, removals, or storage. It may include modifications to existing production, process, consumption, service, delivery or management systems, as well as the introduction of new systems.

Asset – Any real or personal property or immovable or movable property acquired, purchased, constructed, rehabilitated or improved, in whole or in part, with funds contributed by Canada under the terms and conditions of this program.

Baseline scenario – A reference case used to determine the baseline GHG emissions for a project activity. It is a description of what would most likely occur in the absence of the proposed project. Also referred to as the "business-as-usual" scenario.

Behavioural change – An ineligible project type whose primary objective is the reduction of GHG emissions through incenting or modifying conscious human actions.

Capacity building – An ineligible project type that results in the development and enhancement of human and institutional resources, which does not directly result in measurable GHG reductions.

Carbon dioxide equivalent (CO2e) - The mass of carbon dioxide that would result in the same global warming impact as an equivalent mass of another greenhouse gas. The carbon dioxide equivalent is calculated, for this program, by multiplying the mass of the greenhouse gas by its corresponding 100-year global warming potential from the Fourth Assessment Report from the United Nations Intergovernmental Panel on Climate Change.

Commercially available – Currently available for purchase in the market. Technologies that are commercially available usually correspond with a level 8 or above on the <u>Technology Readiness</u> <u>Level (TRL) Scale</u>.

Cost-effectiveness – The ratio of federal funding requested per tonne of carbon dioxide equivalent (t CO_2e) reduced in 2030 (2030 cost-effectiveness).

Eligible Expenditures – Project expenditures considered by ECCC to be direct and necessary for the successful implementation of an eligible project. For more details please refer to Section 4 of this guide.

Feasibility study – An analysis of the economic, technical, scheduling, legal, and other considerations of a potential project to determine if it is likely to be successful.

Funding Agreement – A written agreement between the Government of Canada and a recipient governing the terms and conditions associated with receiving funding.

Greenhouse gas (GHG) – The seven gases or categories of gasses recognized by the United Nations Framework Convention on Climate Change (UNFCCC) for their contributions to the greenhouse effect: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6), and nitrogen trifluoride (NF_3).

Incremental GHG emissions reductions – GHG emissions reductions are incremental if they will be achieved in addition to what would occur in the business-as-usual scenario and under existing policies by-laws, rules, regulations or codes.

Material GHG reductions – GHG emissions reduction results that are tangible, measurable, achievable, and sizeable enough to contribute towards Canada's GHG reduction targets relative to project size and scope.

Own-use – Refers to energy or fuel that is produced and used within the organization's own operations. See Section 3.5.5 of this Guide for a description of the eligibility requirements regarding own-use.

Project – The set of activities for which funding is being requested in an application.

Research, Development and Demonstration (RD&D) – An ineligible project type where activities are primarily based in the initial stages of new technology development, idea generation, and testing.

Retrofit – Retrofits are changes to an existing building or asset that seek to renovate, upgrade, or repair aspects of the building or asset in a manner that improves environmental outcomes.

Sector – The broad sector in which the facility operates. Ideally should be specified by NAICS code. E.g. iron & steel production, utilities, food processing, auto manufacturing.

Stacking – Acquiring more than one source of federal, provincial, and/or municipal financial assistance through contributions, whether provided by one or multiple government departments or agencies.

Standalone Educational project – An ineligible project type that seeks only to educate, generate knowledge, or promote awareness, which does not directly result in measurable GHG reductions.

Technology Readiness Level scale (TRL) – A scale that rates technological maturity based on its status from inception to commercially available. This tool helps determine TRL level: <u>Technology Readiness Level (TRL) Assessment Tool</u>.

Activity Type Definitions

Building envelope upgrades (insulation, windows, doors) – The replacement or restoration of a building's envelope or shell. This includes all activities that improve the airtightness or insulation of the building. Note that upgrades to heating or cooling equipment are generally considered stationary equipment retrofits.

Carbon Capture and Storage – Technologies that energy/emission-intensive industries implement to remove CO_2 emissions from their point source (capture), followed by the permanent storage of CO_2 underground by injecting it into rock formations (storage).

Carbon Capture and Utilization – Technologies that energy/emission-intensive industries implement to remove CO₂ emissions from their point source (capture), followed by the conversion of this carbon to fuels or carbonate minerals through mineralization processes with higher conversion efficiency and lower energy requirements, compared to incumbent technologies (utilization).

Clean electricity production for own use – The generation of electricity from renewable sources to offset the consumption of electricity from non-renewable sources. Common examples of renewable energy include solar, wind, hydro, and biomass. Electricity production projects must meet the "own-use" requirement as defined in Section 3.3.5 of this Guide.

Cogeneration or combined heat & power production – The installation or upgrade of a cogeneration or combined heat and power unit to generate electricity and heat that can be used to meet space, water, or other process heating requirements.

District energy and/or heating – Heating and/or cooling networks in which multiple buildings are connected to a central heating/cooling plant. District energy and/or heating systems for new industrial or residential buildings are not eligible.

Heat recovery – The capture of residual heat from a process for use elsewhere. E.g., the capture of heat that would otherwise be wasted from an industrial process to pre-heat a secondary process or to provide space heating.

Industrial process changes – Changes to industrial processes that release non-energy related GHG emissions, such as manufacturing processes that release CO_2 through chemical reactions. These processes include the production and use of mineral products, metal production, or chemical production.

Industrial product use changes – Changes in GHG emissions from the use of products in an industrial process that does not involve a chemical or physical reaction. This includes emissions from the production or consumption of sulfur hexafluoride (SF6), nitrogen trifluoride (NF3), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs).

Low-carbon fuel production for own use – The production of a fuel that when used has significantly lower carbon emissions than that of traditional fuels. Low-carbon fuel production projects must meet the "own-use" requirement as defined in Section 3.3.5 of this Guide.

Mobile equipment retrofits for energy efficiency – The replacement or upgrade of existing vehicles or their onboard systems for the purpose of increasing their energy efficiency. This can include cars, trucks, planes, trains, excavators, or any other such vehicle.

Mobile equipment retrofits for fuel switching – The replacement or upgrade of existing vehicles or their onboard systems for the purpose of switching the energy/fuel on which they operate. This can include cars, trucks, planes, trains, excavators, or any other such vehicle.

Organics diversion – The diversion of organic materials from the landfill to another controlled environment such as a composting facility or an anaerobic digester, which will prevent the release of greenhouse gases (primarily methane) as they decompose.

Stationary equipment retrofits for energy efficiency – The replacement or upgrade of existing mechanical or electrical systems for the purpose of increasing their energy efficiency. Stationary equipment refers to those systems that remain fixed in a single location throughout the course of its operation. Common examples include boilers, pumps, and compressors.

Stationary equipment retrofits for fuel switching – The replacement or upgrade of existing mechanical or electrical systems for the purpose of switching the energy/fuel on which they operate. Stationary equipment refers to those systems that remain fixed in a single location throughout the course of its operation. Common examples include boilers, pumps, and compressors.

Acronyms

AIP	Approval-in-principle
CO ₂	Carbon dioxide
CO ₂ e	Carbon dioxide equivalent
DIP	Decarbonization Incentive Program
ECCC	Environment and Climate Change Canada
GHG	Greenhouse gas
OBPS	Output-Based Pricing System
RD&D	Research, development and demonstration
SWIM	Single Window Information Management
PIMS	Program Information Management System
TRL	Technology Readiness Level

Annex B: Application Form Walkthrough

The Application Form Walkthrough (Annex B of this Applicant Guide) is available for download on the webpage of the <u>Decarbonization Incentive Program: Applicant Guide</u>.