

Emissions Reduction Fund (ERF)—Onshore Program Frequently Asked Questions

Q1: What does the ERF aim to achieve and how is it broken down?

A1: On April 17, the Prime Minister, Justin Trudeau, announced the new \$750 million Emissions Reduction Fund (ERF) to help onshore and offshore oil and gas companies invest in green solutions to reduce greenhouse gas (GHG) emissions and retain jobs in the sector. Of the \$750 million, the Fund will offer up to \$675 million to onshore upstream and midstream oil and/or gas sector companies to reduce or eliminate routine intentional venting of methane rich natural gas. The remaining \$75 million will go towards offshore projects.

Q2: What are the ERF expected outcomes?

A2: This Program serves as major environmental and economic benefits for Canadians by reducing emissions and improving air quality, and supporting workers and communities in the sector. This will position Canadian oil and gas companies as leaders in the transition to a cleaner future and more globally competitive for years to come.

Q3: How does the Onshore Program work?

A3: With up to \$675 million in available funding, the Onshore Program will provide support in the form of repayable contributions similar to interest-free loans to help companies lower their methane emissions. Companies incur the upfront costs for the project, and the Fund reimburses those costs. Then companies will have flexible options to repay over a five-year period. The Fund provides advance payments for those that need it. This offers access to capital that will help firms reduce their costs, increase their revenues, or both while simultaneously lowering emissions. (For more information, see Section 5.5 of the Applicant's Guide)

Companies that eliminate methane emissions may be eligible for partially repayable contributions, meaning that a portion of the funding is forgiven based on the cost/tonne of emissions reductions. The cheaper the project on a cost/tonne basis, the more that can be forgiven.

Q4: Who is eligible to apply for ERF-Onshore Program?

A4: All Canadian upstream conventional (including cold heavy oil production with sand or CHOPS), tight and shale oil and/or gas companies as well as midstream gathering and processing infrastructure companies with projects to lower or eliminate routine intentional venting of methane rich natural gas can apply.

Third parties that provide engineering, procurement and construction (EPC) or environmental services and technologies can support their eligible oil and gas company clients in developing a program proposal. However, they are not allowed to apply directly.

Q5: What type of program flexibilities are built into the Onshore Program?

A5: A lot of financial flexibilities have been built into the Program to help companies address both their financial and environmental issues. The Program:

- offers a minimum of \$100 thousand and a maximum of \$20 million per company to ensure that the Fund is not depleted too quickly while also attracting substantial projects that will have a noticeable impact. One application may include multiple projects at multiple facilities which helps support a wide variety of projects across the sector;
- funds up to 75% of total project cost with the option to stack with funding up to 90% from other sources, such as provincial programs;
- offers repayable and partially repayable contributions;
- offers five-year payback period after project completion;
- covers expenses related to the project, such as Baseline Opportunity Assessment (BOA), salaries and benefits related to the project, capital expenses, and equipment rental; and
- may, when it considers it appropriate, retroactively fund up to 30% of eligible costs incurred from April 17, 2020 to the date of execution of the contribution agreement and no later than March 31, 2021. (For more information, see sections 2.4 and 2.5 of the Applicant's Guide)

Q6: Can I apply to more than one application in take period?

A6: A company may apply to more than one intake period but can only submit one application per intake period. One application can include multiple eligible projects at multiple facilities. Only projects that meet all the eligibility requirements and mandatory criteria should be included in an application.

Q7: If my application is not selected for funding, can I submit a revised application at the next intake period?

A7: A company is permitted to submit one application per intake period. If your application is not approved for any funding, you may submit a revised application during a subsequent intake period, if any.

Q8: What if some of my projects are approved for funding and some are not?

A8: If a company submits an application with multiple projects and receives a conditional approval for some but not all projects, the company may submit an additional application in a subsequent intake period, if any. The additional application can include projects rejected in the previous intake period.

Q9: What is the minimum and maximum ERF funding contribution per company?

A9: The minimum amount of ERF funding per contribution agreement is \$100 thousand. The maximum amount of funding a company can receive for all of its projects under all ERF applications is \$20 million.

Q10: What types of projects are eligible for funding under the program?

A10: The ERF will consider capital infrastructure projects from eligible recipients that conserve and accurately meter natural gas for off site transfer and sale, or for on site use as fuel. In situations where natural gas conservation is not possible, the ERF will consider projects to capture and accurately meter methane rich natural gas to be thermally destructed to less GHG potent carbon dioxide.

Projects that intend to address sources that intentionally vent gas with very low or negligible concentrations of methane are not going to be considered eligible under the ERF. Subsurface projects or other projects dealing with fugitive emissions are not eligible as they are not lowering or eliminating the routine intentional venting or flaring of methane emissions.

Q11: What types of technologies, projects, activities are eligible?

A11: The ERF prioritizes projects that lower or eliminate emissions at the lowest possible cost. It does not prioritize one technology over another so long as the emission reductions are achieved.

Q12: What is the ERF funded project boundary?

A12: The ERF will consider a project that begins with an individual source where a molecule of methane is vented and extends to the point where it is either:

- Transferred directly to the atmosphere as methane;
- Thermally destructed in an incinerator or flare;
- Conserved and transferred into a fuel management system for on site use; or
- Conserved, processed and transferred into a downstream transmission or distribution system.

Q13: Can the ERF funded project boundary extend beyond one operator?

A13: Gas conservation projects may have a spatial system boundary that extends across infrastructure managed by more than one operator.

Q14: Are greenfield projects eligible for funding under the ERF?

A14: The scope of a project that could be considered under the ERF must result in an immediate GHG reduction from a brownfield venting source. A pure greenfield project is not eligible for funding under the ERF as it would not have any emissions to calculate a baseline from which reductions would be measured.

However, a project which installs infrastructure to lower or eliminate emissions from existing sources and includes the addition of other greenfield operations (e.g., new wells) which will then feed into that infrastructure would be eligible for funding under the ERF.

Q15: How will GHG cost per tonne be calculated?

A15: Cost per tonne for GHG reductions will be calculated in a standardized way for all projects that are received. The program will use a combination of detailed technical and financial information provided by applicants as well as additional technical resources, such as the Fifth Assessment report from the Intergovernmental Panel on Climate Change (IPCC), as well as peer reviewed reports on global warming potential of methane, black carbon, etc.

Q16: Is the Baseline Opportunity Assessment (BOA) refundable?

A16: The BOA is an eligible expense under the program's Terms and Conditions. This means that it can be included within overall project expenses going forward, or be retroactively brought forward as an eligible expense if successful applicants receive ERF approval to implement a project for which the applicant may have begun planning and making ERF eligible investments from April 17, 2020. Additional conditions are noted in the ERF Applicant's Guide. The cost of a BOA is not refundable to applicants who are not approved for ERF funding. The BOA can be signed off by in-house or third party engineers, provided the engineer is registered in Canada.

Q17: When can I apply?

A17: The ERF Onshore Program will have at least two intake periods, and a third one as required. The first intake period launched on October 29, 2020 and the application portal will close on November 30, 2020, 11:59pm EST. Depending on the number of applications, we hope to have much of the assessment done by early January 2021, with decisions going to Applicants shortly thereafter. Intake 2 will open sometime in the first quarter of 2021. The exact date will be announced on the program's website. All projects should be completed by March 31, 2023.

Q18: How do I apply?

A18: Companies can access the application form from the ERF website and are required to register with [Integro](#). This web-based platform is designed to make applying easier, while helping to streamline the assessment of applications. More instructions are available in Section 6.1 of the Applicant's Guide.

Q19: How does the ERF–Onshore Program compliment other provincial or federal programs?

A19: The ERF is highly complementary and can be stacked with provincial funding. The maximum level of total contributions (stacking limit) from other government sources (federal, provincial, territorial and municipal) is 90% of eligible expenditures per company. (For more information, see Section 5.3 of the Applicant's Guide).

Q20: How can I stay informed and connected?

A20:

- Join our [Clean Growth Collaboration Community group](#) for free to connect with oil and gas companies and emission reduction clean technology providers as well as other key stakeholders critical to emissions reductions projects such as environmental specialists and Engineering, Procurement and Construction (EPC) firms to help with the application process.
- Visit our [ERF website](#) and sign up for email updates at nrcan.erf-fre.rncan@canada.ca.
- Download the [Applicant's Guide](#) which provides application requirements, including eligibility criteria and mandatory documentation.

For clean technology providers:

- In Budget 2017, the Government of Canada created the [Clean Growth Hub](#), an interdepartmental team co-chaired by Natural Resources Canada and Innovation, Science and Economic Development Canada with a mandate to help clean technology producers and users better navigate the Government of Canada's clean technology programs.
- If you are a clean technology provider and are in need of more information on federal programs and supports, the Clean Growth Hub is well placed to provide further guidance. To contact the Hub, please complete their [online questionnaire](#) and they will promptly get back to you.