



Natural Resources
Canada

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Canada



EMISSIONS REDUCTION **FUND**

GREENHOUSE GAS EMISSION REDUCTIONS IN
CANADA'S ONSHORE OIL AND GAS SECTOR

APPLICANT'S GUIDE

— UPDATED —

NATURAL RESOURCES CANADA

November 6 2020

Ce document est aussi disponible en français. Veuillez envoyer un courriel à nrcan.erf-fre.rncan@canada.ca en indiquant à la ligne Objet
Fonds de réduction des émissions – version française du guide

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PURPOSE OF THIS GUIDE

This document was developed to assist applicants in their submissions to the [Emissions Reduction Fund](#) for onshore methane emission reductions in conventional, tight and shale oil and gas projects in the upstream and midstream sectors (hereinafter ‘the Program’). This Guide outlines application requirements, including eligibility criteria and mandatory documentation, and provides detailed guidance on how to complete an on-line Application Form for funding consideration under the Program.

Please read this Guide carefully. Mandatory documents are required at time of submission, including a [Baseline Opportunity Assessment \(BOA\) or equivalent](#), certified by an engineer registered in Canada. Incomplete applications will not be considered for review.

To access the on-line Application Form, register with [Integro](#), the online program portal, by following the instructions listed in [Section 6](#) of this Guide.

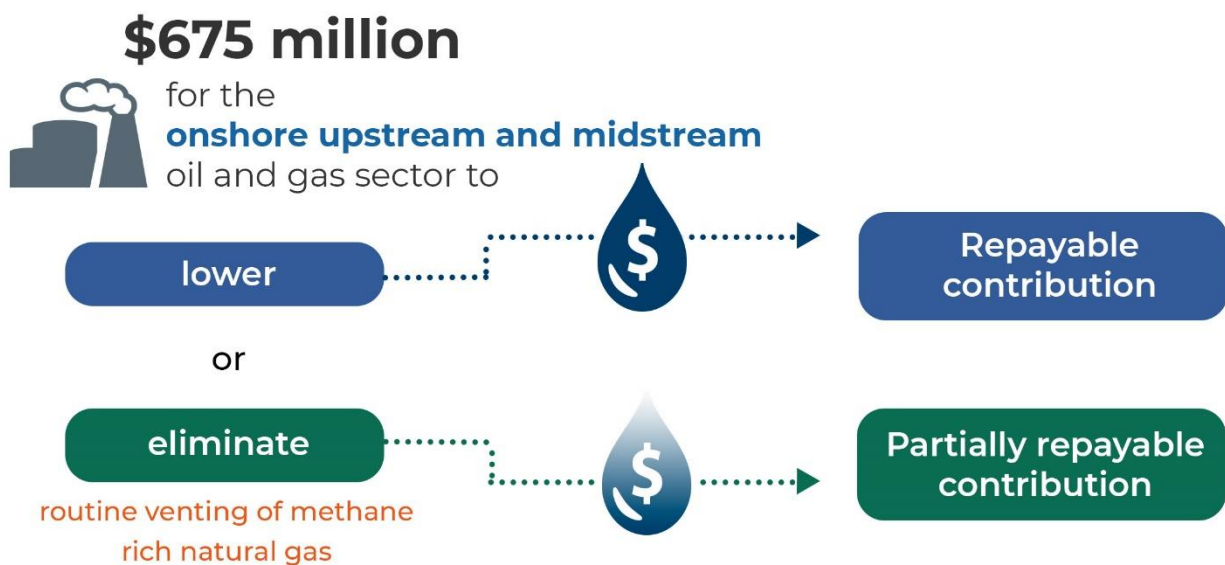
SECTION 1: EMISSIONS REDUCTION FUND OVERVIEW

The Government of Canada’s new \$750 million Emissions Reduction Fund (ERF) will reduce greenhouse gas (GHG) emissions by providing financial support for oil and gas companies to adopt greener technologies and to help maintain jobs in the sector. Of the \$750 million, the Program will offer up to \$675 million to the onshore upstream and midstream oil and gas sector to **lower** or **eliminate** routine venting of methane rich natural gas from conventional, tight and shale oil and gas operations.

The Program for onshore methane emission reductions in the upstream and midstream sectors offers two types of funding ([see Section 5.1](#)):

1. Repayable contributions; and
2. Partially repayable contributions.

Eligible recipients approved for funding will be offered a 5-year payback period with three different [repayability options](#).





SECTION 2: ELIGIBILITY

Applications will be rated against the mandatory and eligibility criteria listed in this section.

2.1 Eligible Recipients

To be considered for funding under the Program, the applicant must satisfy **all** of the following:

- ❖ Comply with the eligibility criteria listed in [Sections 2.1](#) through [2.5](#) of this Applicant's Guide;
- ❖ Be a validly incorporated or registered legal entity in Canada;
- ❖ Be an oil and gas company, or a provincial, territorial or municipal government that owns or operates an upstream and/or midstream conventional, tight, and/or shale oil and gas facility(ies) located in Canada; and,
- ❖ Provide all of the mandatory documentation listed in [Section 6.2](#) of this Guide, including information contained in an [engineer certified BOA or equivalent](#), either as a separate document or as part of the applicant's Business Plan.

2.2 Application Intake and Funding Period

The Program will manage multiple intake periods. To be considered for funding under the Program, an eligible recipient must complete the on-line Application Form (see [Section 3](#)) during one of the Program's application intake periods. Up to \$225 million will be made available in the first intake period. The remaining funds will be allocated in the second intake period which will be held during the first quarter of 2021, the details of which will be announced on the [Program website](#).

An [eligible recipient](#) is permitted to submit **one** application per intake period to the Program. A single application may include **one or more eligible projects** at **one or more eligible facilities** (see [Section 2.3](#)).

The Program may provide eligible recipients with up to 75% of total eligible supported project costs and the maximum amount of contributions to the project from all levels of government must not exceed stacking limits described in [Section 5.3](#). The Program may retroactively fund **up to 30% of eligible costs** incurred from April 17, 2020 and submitted as an eligible expense before March 31, 2021, including [eligible expenditures](#) associated with the development of such engineer certified BOA's and design of capital projects.

The Program will disburse funds before March 31, 2022. Projects supported by the Program must be completed by March 31, 2023.

2.3 Eligible Projects

Eligible projects will be implemented in one or more of the following sectors:

- ❖ **Upstream oil and gas production:** including operations from the wellhead to the transfer of oil and/or gas into midstream gathering systems;
- ❖ **Midstream oil and gas:** including operations such as gathering and pipeline transporting, processing, treating, storing, and/or marketing of oil, natural gas, and natural gas liquids.



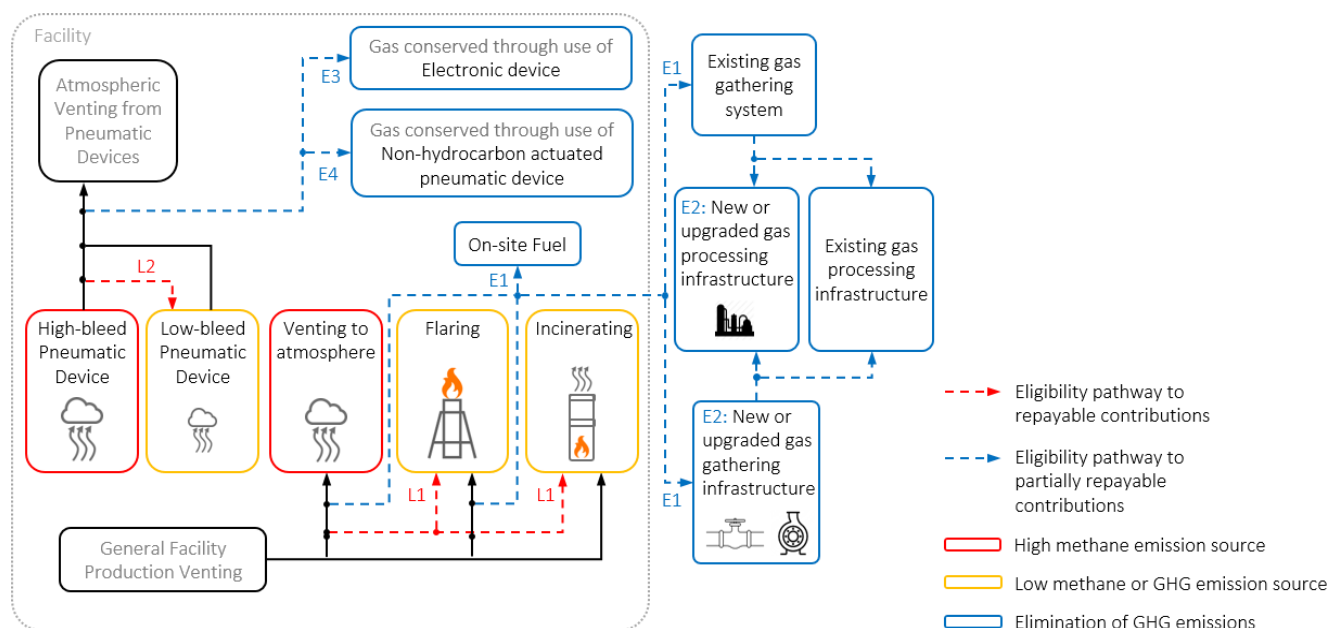
The geographic location of eligible projects will take place at one or more of the following **types of facilities**:

- ❖ Wells that produce oil or gas, or both;
- ❖ Facilities that gather/transport oil or gas, or both;
- ❖ Facilities that treat oil;
- ❖ Facilities that process gas; or
- ❖ Facilities that store oil.

An eligible project is a capital project limited to the following (see Figure A):

1. Projects that **lower GHG emissions** from one or more sources within one or more facilities, to below their current baseline emissions, as described in the [BOA](#), are eligible for repayable contributions:
 - L1 Incinerating or flaring natural gas that was previously intentionally vented; or
 - L2 Lowering the volume(s) of natural gas being intentionally vented to the atmosphere from pneumatic devices.
2. Projects that **fully eliminate GHG emissions** from one or more sources within one or more facilities are eligible for partially repayable contributions:
 - E1 The conservation and accurate metering of natural gas that is intentionally vented, either directly to the atmosphere or into a flare system, for subsequent use on one or more sites as fuel, or for transfer off one or more sites into natural gas gathering and processing infrastructure; and/or
 - E2 The development of new, or upgrading of existing gas gathering and/or processing infrastructure to enable the increased conservation and off-site transfer of the conserved natural gas from one or more facilities.
 - E3 Exchanging pneumatic devices that intentionally vent natural gas to the atmosphere, with zero-venting electrically driven devices; and/or
 - E4 Installation of compressed atmospheric air or inert gas storage and piping infrastructure to activate pneumatic devices, in order to eliminate the use and intentional atmospheric venting of compressed natural gas from pneumatic devices.

Figure A: Eligibility Pathways to Repayable and Partially Repayable Contributions





2.3.1 Baseline Opportunity Assessment or equivalent

In addition to the mandatory documents listed in [Section 6.2](#) of this Applicant's Guide, the Program requests that a Baseline Opportunity Assessment (BOA) or equivalent (certified by an engineer registered in Canada) must be submitted for **each** project. This information will be used to validate the requirements of the project and the current and intentional state of the facility where the project will be undertaken. For the purpose of this application, other documentation (e.g., a Business Plan) that satisfies all the requirements listed below and certified by an engineer registered in Canada will be considered equivalent to a BOA.

Capital project proposals will require certified engineering studies or assessments that accurately quantify baseline emissions. They must also identify the design and the cost of capital projects that will verifiably and sustainably reduce GHG emissions.

The BOA must contain all the indicators below that are relevant to the proposed project, and all the indicators must be flagged or highlighted within the document so that evaluators can easily locate the information:

1. The respective **provincial location(s) and applicable facility identification number(s) or site locations for all facilities** listed in the project proposal that will serve to either lower or eliminate intentional venting of natural gas from the identified sources;
2. A detailed description of the method(s) used for the instantaneous and time series quantification of the baseline volume(s) and flow rate(s) of intentionally vented natural gas, either directly into the atmosphere, or directly into a flare system, or both, from the one or more individual sources within the one or more facilities included in the project proposal, such as description(s) of the:
 - ❖ Direct measurement technologies, applicable method(s), associated instrument(s) and method uncertainty(ies);
 - ❖ Time period(s) and applicable technical justification for the time period(s) employed for direct measurement(s) to establish variability(ies) of volume(s) and flow rate(s);
 - ❖ Process simulation tools used and source(s) of information used to inform the simulation(s);
 - ❖ Predictive modeling tool(s) used and associated uncertainty(ies);
 - ❖ Estimation methodology(ies) used and the associated uncertainty(ies);
 - ❖ Emission factors used and the associated uncertainty(ies);
 - ❖ Method(s) used to extrapolate quantified instantaneous or time series natural gas volume(s) and flow rate(s) from individual sources to accurately quantify the:
 - Current annualized baseline volume(s) of intentional venting of natural gas from each individual source; and,
 - Volume(s) of intentionally vented natural gas that will be either lowered or eliminated from each individual source in the first 12-month period immediately following the completion of the proposed project activity(ies).



3. A detailed description of the method(s) used for determining the detailed chemical speciation analyses of natural gas intentionally vented directly to the atmosphere, or into a flare system, or both, from the one or more individual sources within the one or more facilities included in the project proposal, such as the;
 - ❖ Description of the direct sampling and analysis method(s) and associated instrument and method uncertainties;
 - ❖ Date verifiable analytical report(s) from an accredited laboratory of the chemical analysis(es) for each sample from each source;
 - ❖ Process simulation tools used and source(s) of information used to inform the simulation(s);
 - ❖ Predictive modeling tool(s) used and associated simplifying assumptions; and
 - ❖ Estimation methodology(ies) used and the associated uncertainty(ies).
4. Identification of the source(s) where 100% of the natural gas is currently and intentionally vented directly to the atmosphere, or directly into a flare system, or both, will be conserved for on site use as fuel or to transfer off site for processing and sale, as the result of the proposed project.
 - ❖ For a project that will conserve 100% of the natural gas currently intentionally vented from one or more sources directly into a flare system, provide the individual volume(s), chemical speciation, and thermal destruction efficiency of the currently flared natural gas that will be conserved from each individual source in the first 12-month period immediately following the completion of the proposed ERF project activity(ies).
 - ❖ For a project that will conserve 100% of the natural gas currently intentionally vented from one or more sources directly into the atmosphere, provide the individual volume(s) and chemical speciation of the currently vented natural gas that will be conserved from each individual source in the first 12-month period immediately following the completion of the proposed ERF project activity(ies).
5. Identification of the source(s) where the volume of natural gas currently intentionally vented directly to the atmosphere will be lowered to a reduced level of intentional atmospheric venting, as a result of the proposed ERF project.
 - ❖ For a project that will lower the volume of natural gas currently intentionally vented directly into the atmosphere from one or more sources, provide the accurate annualized individual baseline volume(s) and chemical speciation of the natural gas currently being vented from each individual source, and the accurate volume(s) by which intentional atmospheric venting will be reduced from each individual source.
6. Identification of the source(s) where 100% of the volume of natural gas currently intentionally vented directly to the atmosphere will be intentionally vented into a flare or incineration system for thermal destruction to less GHG-potent carbon dioxide (CO₂), as the result of the proposed ERF project.
 - ❖ For a project that will thermally destruct 100% of the intentionally vented natural gas from one or more sources, to less GHG-potent CO₂, provide the accurate annualized individual baseline volume(s) and chemical speciation of the natural gas currently being vented from each individual source, the thermal destruction efficiency(ies), and the respective destruction efficiency sources and uncertainties, for the flare(s) and/or incinerator(s) into which the intentionally vented natural gas will be directed as a result of the proposed ERF project.



7. If applicable, identify and accurately quantify the direct impact of the proposed “methane focused” project upon the mass rate (kg/year) of individual non-methane GHG substance emissions (e.g., increases or decreases to CO₂, black carbon particulates) from the individual source(s) being targeted within the proposal, and accurately quantify the net GHG impact of the proposed ERF project activity(ies) in the first 12-month period immediately following the completion of the proposed ERF project activity(ies).

Example – A gas conservation project eliminates an accurately quantified volume of intentionally vented natural gas, but the offsite transfer of the conserved natural gas requires the installation of a compressor to deliver the conserved gas into a gas gathering system. If the required compressor is driven by a natural gas or diesel fuelled engine, the net GHG impact of the ERF project is the reduced GHG emission resulting from elimination of the intentionally vented natural gas, plus the fuel combustion and any compressor venting related GHG emissions associated with the gas conservation project.

2.4 Eligible Expenditures

Eligible expenditures are in the following categories:

- ❖ BOA or equivalent that is certified by an engineer registered in Canada;
- ❖ Salaries and benefits of employees on the payroll of the Recipient for the actual time spent by the employees on the Project;
- ❖ Professional, scientific, technical, management, data collection and contracting services;
- ❖ Travel expenditures related to the Project, including meals and accommodation, based on rates in the [National Joint Council Travel Directive](#);
- ❖ License fees, data purchases, certification costs, permits, and fees associated with regulatory compliance and inspection for the implementation of this project;
- ❖ Capital expenditures; including informatics hardware and software, improvements of existing capital equipment for the purpose of further reducing or eliminating methane (and co-benefit non-methane GHG) emissions, purchase and installation of new capital equipment to reduce or eliminate methane, at onshore facilities that produce, treat, transport or store oil or natural gas;
- ❖ Material, supplies, and equipment;
- ❖ Equipment leasing or rental;
- ❖ Overhead expenditures provided they relate to the conduct of the Project and can be attributed to it. Overhead expenditures may be included in the total Project costs up to 15% of total eligible supported expenditures; and,
- ❖ GST, PST or HST, net of any tax rebate to which the Recipient is entitled.*

Retroactive eligibility

Natural Resources Canada may, when it considers it appropriate, reimburse eligible recipients for eligible expenses the recipient has incurred from April 17, 2020 to the date of execution of the contribution agreement, before March 31, 2021. Eligible expenses may only be reimbursed following the execution of a contribution agreement and submission of documentation to the satisfaction of the Department. Natural Resources Canada's reimbursement of pre-agreement eligible expenses will be subject to the parameters specified in both the Program Terms and Conditions and the contribution agreement and will not exceed 30% of the amount of Canada's contribution to the project.

* In accordance with the departmental GST/PST/HST certification form, the reimbursable Goods and Services Tax, Provincial Sales Tax, and Harmonized Sales Tax costs must be net of any tax rebate to which the Recipient is entitled.



Applicants may contact the program to obtain a list of definitions of eligible project costs and for further clarification.

2.5 Non-eligible Expenditures

Non-eligible expenditures include:

- ❖ Purchase of land;
- ❖ Fines and penalties;
- ❖ Lobbying activities for the purposes of obtaining contribution funding under the Program; and
- ❖ Costs incurred outside of the eligible expenditure period.

In addition, in-kind contributions may be eligible for consideration of total project costs but are not eligible for reimbursement.



SECTION 3: ON-LINE APPLICATION FORM

The on-line Application Form contains five sections. All sections are mandatory and will be fully assessed and verified by the Program from both a technical and financial perspective. This section provides a snapshot of what to expect in the online Application Form. In the tables below, the blue boxes replicates the fields in the on-line [Application Form](#), and the corresponding text offers specific details or considerations to take into account when providing answers. All hyperlinks are to sections within this document.

1: Business Information

Legal Entity	<p>Insert the name of the eligible applicant (organization or company) where the proposed project(s) will take place. If the proposed projects are deemed successful, this legal entity will sign a contribution agreement with Natural Resources Canada.</p> <p>The Proof of Business Incorporation, Articles of Incorporation, or Registration is a mandatory requirement and must be provided as supporting documentation.</p>
Corporate Business Address	Insert the mailing address of the Legal Entity.
Organization Capacity	Insert the current number of full-time equivalent employees under the Legal Entity. Full-time equivalents are people who work assigned hours and/or scheduled hours at a minimum of 35 hours per week.
Organizational Capacity Pre-COVID-19	Insert the number of full-time equivalent employees (as described above) that worked under the Legal Entity before COVID-19 (e.g., before March 1, 2020).
Length of Time in Operation	Insert the number of years the company has been in operation, i.e. since it has been incorporated or a registered legal entity in Canada. Indicate "1" year if the company has been in operation for 1 year or less.
Main Contact for the Proposed Project	Insert the full name, title, email address and telephone number of the main contact for the proposed project. The main contact does not need to be the signing authority for the contract agreement.
Workforce Gender and Diversity Plan	<p>Select the status of the Workforce Gender and Diversity Plan at your organization:</p> <ul style="list-style-type: none"> ❖ A company-wide workforce gender and diversity plan is in place ❖ The company is exploring developing a workforce gender and diversity plan ❖ A workforce gender and diversity plan is not place.* <p>Applicant eligibility will not be based on the status of the organization's Workforce Gender and Diversity Plan.</p> <p>*Where there is no plan, Natural Resources Canada will recommend that a Workforce Gender and Diversity Plan be pursued, which includes measures such as strict enforcement of corporate zero-tolerance policies related to discrimination or harassment against designated groups, existing or planned training to educate its workforce on diversity and inclusion, statistics, approach for factoring gender and diversity into its supplier selection methods, funding advocacy groups or promotional activities that promote workforce diversity, etc.</p> <p>Successful applicants will be asked to voluntarily share data on their workforce or the groups that benefit from the Program. This will include questions such as number and proportion of underrepresented groups (e.g., women, immigrants, visible minorities, youth, and Indigenous peoples) for the different positions (worker, management, etc.), job locations, available trainings, etc. This data, complemented with other sources (i.e., Census, Stats Canada), will allow the Program to track progress on increasing workforce diversity.</p>



Outstanding Legal Actions

Indicate whether there is any legal action currently underway or anticipated in the near future against the applicant, parent companies or any partner, including any potential related financial loss.

A partner could be a large industry, small and medium sized enterprise, research institute, and/or various levels of government.

2: Project Information

2.1 Baseline Material

Baseline Opportunity Assessment (BOA)

A BOA or an equivalent that is certified by an engineer registered in Canada is mandatory for each project proposed in the application and must be provided as supporting documentation. **Projects that have not undergone a BOA or equivalent will not be reviewed.**

[Refer to Section 2.3.](#)

Applicants need to provide information on whether the proposed project(s) will eliminate or lower GHG emissions by completing one or both of the following two sections in the Application Form.

Eliminating venting or flaring related GHG emissions through conservation of natural gas

Indicate what type of conservation project(s) will occur at your facility(ies):

1. **flare gas conservation and/or**
2. **vent gas conservation**

Where applicable, indicate the total volume of **vented** natural gas and/or **flared** natural gas that will be conserved in the first year after the completion of the project.

Lowering venting related GHG emissions through flaring or incineration, or the use of low bleed pneumatic devices

Indicate whether the BOA identifies intentional venting source(s) that can be lowered as compared to their baseline rate of emissions.

[Refer to Section 2.3.1.](#)

2.2 Proposed Project Details

Project Title (Non-confidential)

Insert the title of the project. Clearly indicate if the project will **eliminate** venting or flaring of natural gas, or if it will **lower** venting related GHG emissions.

Note that if the proposal is approved for funding under the Program, the information provided as the project title will be disclosed publicly on the Government of Canada's website.

Sector(s)

Indicate the sector(s) where the proposed project(s) will take place:

- ❖ Upstream gas
- ❖ Upstream oil
- ❖ Midstream oil and gas

[Refer to Section 2.3.](#)



Project(s) Location(s)	<p>An eligible recipient is permitted to provide one application per intake period. A single application may include one or more eligible projects at one or more eligible facilities.</p> <p>Indicate whether the project(s) will take place at a single facility or at multiple facilities.</p> <p>For project(s) that will occur at multiple facilities, indicate the provinces in which the project facilities are located and the total number of project facilities per province.</p> <p>If the proposed project(s) applies to multiple facilities, provide a document with the relevant facility identification numbers and corresponding provinces. This information is mandatory and must be provided as supporting documentation.</p> <p>Refer to Section 2.3.</p>
Primary Objective(s)	<p>Indicate whether the primary objective(s) of proposed project(s) is to eliminate and/or lower source emissions. To be deemed eligible for funding under the Program, the primary objective of the proposed project must be to:</p> <ul style="list-style-type: none"> ❖ Lower emissions from intentional venting or flaring from one or more sources at one or more facilities (e.g., high-bleed pneumatic devices to low-bleed pneumatic devices); or ❖ 100% eliminate emissions from intentional venting or flaring from one or more sources at one or more facilities (e.g., natural gas conservation, zero-bleed pneumatic devices). <p>Refer to Section 2.3.</p>
Co-benefit(s)	<p>Indicate the co-benefits of the proposed project. Co-benefits are project outcomes in addition to the primary objective(s):</p> <ul style="list-style-type: none"> ❖ Reduce GHG emissions in addition to methane ❖ Competitiveness ❖ Job creation ❖ Cost savings ❖ Revenue generation ❖ Other
Facility(ies) Type(s)	<p>Indicate the types of facilities that will be implicated in the proposed project(s).</p> <ul style="list-style-type: none"> ❖ Wells that produce oil or gas, or both ❖ Facilities that gather/transport oil or gas, or both ❖ Facilities that treat oil ❖ Facilities that process gas ❖ Facilities that store oil or gas, or both <p>Refer to Section 2.3.</p>
Emissions Source(s)	<p>Indicate the primary methane emissions sources being targeted by the project(s) for elimination or reduction.</p> <ul style="list-style-type: none"> ❖ General facility venting ❖ Venting from pneumatic devices ❖ Flaring ❖ Other



Dates of Planned Project(s)	<p>Indicate the start and end date of the proposed project. If multiple projects will be implemented, then use the start date of the first project to be implemented; and use the end date of the last project to be implemented. All projects activities must be completed by March 31, 2023. Dates for each individual project must be included in Appendix A: Key Milestones of the Project(s). Appendix A is mandatory and must be provided as supporting documentation.</p> <p>If the proposed project(s) applies to multiple facilities, provide a document with the relevant facility identification numbers and corresponding provinces. This information is also mandatory and must be provided as supporting documentation.</p> <p>Section 2.4 offers information on retroactive eligibility.</p>
Overview of the Project(s) (Non-confidential)	<p>Provide an overview of the proposed project(s). Make sure to include an overall project description, clearly stated project objectives and the rationale for the project(s).</p> <p>Note that if the proposal is approved for funding under the Program, the high level information provided as the Overview of the Project will be disclosed publicly on the Government of Canada's website.</p> <p><i>The character limit for this section is set to 5,000 characters maximum.</i></p>
Business Plan	<p>For this section, applicants must provide a short summary of their Business Plan. A complete and credible Business Plan must be submitted as a supporting documentation.</p> <p><i>The character limit for this section is set to 8,000 characters maximum.</i></p>
Capacity to Deliver Project(s)	<ul style="list-style-type: none"> ❖ Provide an overview of the Project Management Team and Project Management Plan that will be implemented in order to ensure the success of the project. <ul style="list-style-type: none"> ○ The Project Management Team will work with the Technical and Financial team(s) to ensure that all critical decisions are made and all key milestones and deliverables are achieved. ❖ Provide the position, role and responsibilities of each member of the Project Management Team. Describe how the team will be working with the Project Implementation Team(s), i.e. the Project Management Plan. ❖ Include the list of current, planned or anticipated service contract(s) and agreement(s), where applicable. <p><i>The character limit for this section is set to 5,000 characters maximum.</i></p>



2.3 Anticipated Emissions Reductions

Anticipated Methane Emissions Reductions	<p>As per the detailed instructions in the BOA:</p> <ul style="list-style-type: none"> ❖ Indicate the anticipated methane emissions reductions ($\text{m}^3 \text{CH}_4$) one year after the end date of the project(s). ❖ Indicate the anticipated cumulative (including one year after the end date of the project(s)) methane emissions reductions ($\text{m}^3 \text{CH}_4$) by 2030, allowing for potential change in production or throughput. <p>Refer to Section 2.3.1</p>
Non-Methane GHG Emissions Reductions	<p>As per the detailed instructions in the BOA:</p> <ul style="list-style-type: none"> ❖ Indicate the anticipated carbon dioxide (kg) and black carbon particulate (kg) emissions reductions one year after the end date of the project(s). ❖ Indicate the anticipated cumulative (including one year after the end date of the project(s)) carbon dioxide (kg) and black carbon particulate (kg) emissions reductions by 2030, allowing for potential change in production or throughput. <p>Refer to Section 2.3.1.</p>

3: Project Budget

Financial capacities and financial viability of proposed project(s) will be evaluated. Refer to [Section 5](#).

3.1 Contributions

- ❖ The Applicant must reflect all funding, including all (requested) government contributions, in the table.
- ❖ Ensure that the "Total Contributions" in the table under Section 3.1 of the on-line Application Form matches the "Total Project Costs" in the table under Section 3.2 Detailed Cost Breakdown in the on-line Application Form.

3.2 Detailed Cost Breakdown

- ❖ The project budget must include all expenditures on an annual basis, where each year starts April 1 and ends March 31.
- ❖ [Section 2.4](#) offers information on retroactive eligibility.
- ❖ Overhead expenses directly related to the project:
 - Overhead expenses directly related to the project will be considered to a maximum of 15% of Total Eligible Project Expenditures;
 - Overhead expenditures are administrative expenditures of eligible recipients that are attributable to projects funded through Natural Resources Canada's contribution. Administration overhead (administration expenses) are part of the general overhead of an organization that is incurred in carrying out its administrative activities. It includes general office salaries, stationery, telephones, etc.;
 - Overhead expenditures claimed by recipients are to be reimbursed only if they are attributable to the project; and
 - All expenses claimed must be allowable under the contribution agreement and are to be supported by invoices, payroll records or other evidence acceptable to the Delegated Authority. Where a Recipient submits a claim for reimbursement that includes a type of expenditure that is not allowable in the contribution agreement, or is specifically disallowed in the contribution agreement, the ineligible portion of the claim should not be reimbursed.



4: Mandatory Supporting Documentation

In addition to a completed on-line Application Form, mandatory documentation is required. Incomplete applications will not be considered for funding. Refer to [Section 6.2](#) for a detailed list.

Appendix A: Key Milestones of the Project(s)

Provide the key milestones (in a table or Gantt chart), or the critical path for each proposed project.

Ensure to include the following:

- ❖ Project title;
- ❖ Location(s) of the project(s);
- ❖ Key milestones in a logical sequence; and
- ❖ Start and end dates.

Examples of key milestones could include:

- ❖ Engineering, Procuring and Construction/Commissioning (EPC) in place;
- ❖ Required permits and licenses; and
- ❖ Access to land agreements.

Key milestones should be specific, measurable, realistic and relevant to the project objective(s).

List all key milestones and associated activities in a logical sequence, including the timelines and/or duration of each, and descriptions. All projects activities must be completed by March 31, 2023.



SECTION 4: ASSESSMENT AND DUE DILIGENCE

A single application may include one or more eligible projects at one or more eligible facilities. Each project proposal within an application will be reviewed for completeness and assessed against [eligibility requirements](#) and [mandatory criteria](#). Project proposals within an application that do not meet all of the eligibility requirements and mandatory criteria will not be given further consideration.

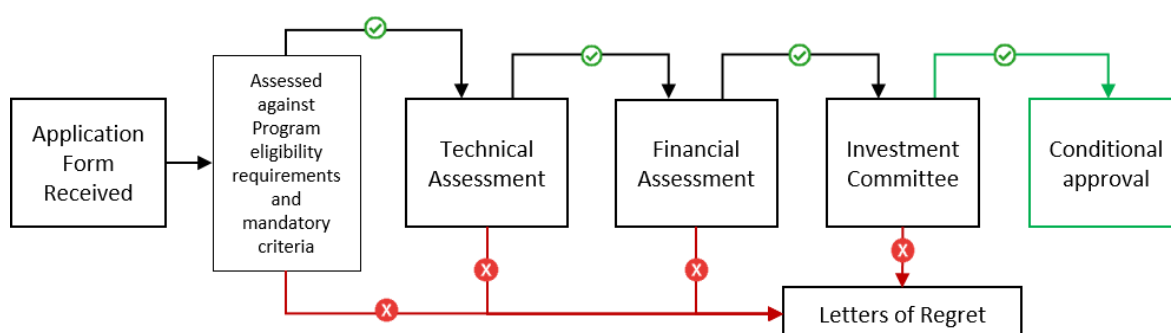
Project proposals that meet the eligibility requirements and the mandatory criteria will be assessed and rated by a Technical Committee and a Financial Committee. Project proposals will be evaluated against the Program's Assessment Criteria (see [Section 4.1](#)) on a pass/fail rating system; proposals must pass all requirements to be considered for funding. Subject to financial due diligence, all project proposals that pass this initial evaluation will be ranked based on the cost per tonne of GHG emission reductions, with a preference to the highest amount of reductions achievable at the lowest cost. Based on this assessment, project proposals will then be recommended for funding on a competitive basis, up to the amount of funding available for a given application intake period by the Program.

The Technical Committee will conduct a due diligence review of the technical aspects of project proposals. This committee will, for example, validate the technical assessment process, ensure that projections are accurate based on known verifiable methodologies/technologies, and verify GHG reductions in the application.

Following the approval from the Technical Committee, the application will undergo assessment from the Financial Committee. This assessment will look at the financial strength of an eligible recipient as well as their ability to complete the project. As part of the financial assessment, Natural Resources Canada may request that the applicant provide additional information to support their project proposal. An independent firm may be contracted to support the Program with this process. If in-depth financial analysis is required, Natural Resources Canada will inform the eligible recipient and provide details on next steps. The findings from the due diligence process will determine Natural Resources Canada's ability to enter into a [contribution agreement](#) with an eligible recipient for the proposed project.

Once both the Technical Committee and Financial Committee reviews are completed, findings will be shared with an Investment Committee, who will subsequently make funding recommendations. In making its decision, the Investment Committee will consider the regional distribution of funds.

Conditionally approved projects will receive Letters of Conditional Approval and unsuccessful project proposals will receive Letters of Regret.





Once Letters of Conditional Approval are received, the recipient will be invited to initiate the negotiation of a contribution agreement. Once a successful applicant has entered into a contribution agreement with Natural Resources Canada, the applicant will be referred to as a proponent. The findings from the due diligence assessment could determine risk mitigation strategies that will be included in the Contribution Agreement (for example monthly progress reports or percentage of risk holdback). Also, the monitoring strategies applied during the conduct of the project could be defined by the risk level identified. In this case, the Program would inform the recipient in writing.

4.1 Assessment Criteria

To be considered for funding by the Program, an eligible recipient must:

- ❖ **Complete on-line Application Form;** and,
- ❖ Submit **all** mandatory documentation (see [Section 6.2](#)).

All applications will be reviewed and assessed for the following elements by the Program using a pass/fail rating based on completeness and relevance:

- ❖ Business Plan
- ❖ BOA (indicators relevant to the project as outlined in [Section 2.3.1](#))
- ❖ Project management, including key milestones of the Project(s), capacity to deliver and proposed activities
- ❖ Project Budget, including contributions, cost breakdown, eligible expenses

The following BOA indicators will be assessed to determine methane emissions reduction and cost per tonne (cost of project eligible activities to reduce each tonne of [carbon dioxide equivalent](#) (CO₂e)):

- **For Projects that Eliminate Venting or Flaring**
 - Volume of vented/flared natural gas conserved in the first year
 - Anticipated methane emissions reduction in first year
 - Anticipated net carbon dioxide and black carbon particulate emissions in the first year
- **For Projects that Lower Venting- or Venting-related Emissions**
 - Volume of vented/flared natural gas conserved in the first year
 - Anticipated methane emissions reduction in first year
 - Anticipated increases to carbon dioxide and black carbon particulate emissions in the first year

The financial viability of the Applicant will be rated using a high, medium and low risk scale.

Project proposals will be ranked based on the cost per tonne of GHG emission reductions and the financial viability of the applicant.



SECTION 5: FINANCIAL INFORMATION

5.1 Repayable and Partially Repayable Contributions

Projects that are eligible for repayable contribution agreements and partially repayable contribution agreements are listed in [Section 2.3](#)

A project that is **eligible for a repayable contribution** is a project that **lowers** intentional venting of methane rich natural gas to the atmosphere from a pre-ERF project level of venting, to a new and verifiably lower level, from one or more sources and within one or more facilities, or a project that directs previously vented gas to an incinerator or flare for thermal destruction to carbon dioxide; and

A project that is **eligible for a partially repayable contribution** is a project that **eliminates** intentional venting of methane rich natural gas, either directly to the atmosphere or into flare systems, from one or more sources and within one or more facilities, through conservation of 100% of pre-ERF project level of intentional venting for the targeted source(s).

Repayable Contributions

- ❖ Contributions by the Program are repayable by default, similar to an interest-free loan.
 - Individual contribution agreements will be eligible for up to 75% of the eligible supported costs.

Partially Repayable Contributions

- For each eligible project, costs associated with the elimination of intentional venting of methane rich natural gas will be partially repayable based on the cost of eliminating each tonne of CO₂e, as per formulas noted Table 1.

Table 1: Partially Repayable Contributions – Repayment Formula

Cost per Tonne of GHG Reductions	➡	Repayable Portion of ERF Program Funding
\$20 or less		50%
\$21-\$50		65%
\$51-\$100		80%
\$100 or more		90%

An eligible recipient approved for a partially repayable contribution may elect a fully repayable contribution, which must be approved by the Program prior to the signing of the contribution agreement.

The sum of non-repayable portion of all funding disbursed under the Program will not exceed 25% of the Program's total budget of \$675 million.

Repayments on the repayable portion of a contribution agreement will be due in five (5) years from the final disbursement of funds to the recipient. Recipients may be given up to two (2) years following the final disbursement to begin repayments. Interest will be due on any late payment. Prior to the signing of the contribution agreement, the recipient will be able to select the repayment schedule that best meets their unique business requirements. See [Section 5.5 Repayment Plan](#).



5.2 Funding Amounts

An eligible recipient may propose one or more projects at one or more facilities under a single contribution agreement. The maximum contribution payable under any single contribution agreement and to any single eligible recipient is \$20 million. The minimum amount per contribution agreement to any single eligible recipient is \$100,000. The Program may provide an eligible recipient with up to 75% of total eligible supported project costs and the maximum amount of contributions to an eligible recipient from all levels of government must not exceed stacking limits described in [Section 5.3](#).

5.3 Program Contribution Limits and Stacking Provisions

The maximum level of total contributions (stacking limit) from other sources is **90% of eligible expenditures per company**. Other sources include federal, provincial, territorial, and municipal governments.

To ensure the stacking provisions are respected, prior to signing a contribution agreement, and for the duration of the agreement, recipients will be required to disclose all anticipated Canadian and non-Canadian sources of funding for the proposed Project, including, for example, those from other Canadian federal, provincial, territorial and municipal programs.

The stacking limit must be respected when assistance is provided. In the event that actual total government assistance to a Recipient exceeds the eligible expenditures, Natural Resources Canada will adjust its level of funding so that the stacking limit is not exceeded, and will seek reimbursement of funds if necessary.

Applicants must indicate all stackable funding in **Section 3 (Project Budget)** of the on-line Application Form.

5.4 Carbon Offset Credits

An eligible recipient will not be entitled to retain any carbon offset credits generated by partially repayable projects under the Program. Carbon offset credits generated through repayable projects under the Program (i.e., eligible projects that lower GHG emissions or eligible projects where a recipient forgoes partial repayability) can be maintained by an eligible recipient, as permitted through applicable carbon offset provisions.

5.5 Repayment Plan

Prior to signing a contribution agreement with Natural Resources Canada, eligible recipients will be able to select one of three repayment plans over a five year period based on Government of Canada fiscal years:

Repayment Plan	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
5-year equal annual amounts	20%	20%	20%	20%	20%
5-year equal increments with an initial payment of 5% of total repayable in Year 1	5%	12.5%	20%	27.5%	35%
3-year equal increments with an initial payment of 10% of total repayable in Year 3	0%	0%	10%	33.3%	56.7%



SECTION 6: HOW TO APPLY

Applications to the Program are invited through a national Request for Proposals (RFP). Natural Resources Canada will determine the fixed dates of the intake period(s). When an intake period is open, all applications are accepted electronically through Integro. Integro is a secure environment, residing on Government of Canada servers. The data collected here will be treated confidentially and the program will not transmit personal details and information, unless specified otherwise. Submission of a completed application does not guarantee applicants will receive funding under the Program. Approvals under this process will be conditional upon the execution of a contribution agreement. **Until a written contribution agreement is signed by both parties, no commitment or obligation exists on the part of the Program to make a financial contribution to any project.**

The on-line Application Form consists of five sections, including the attachment of at least nine mandatory documents listed under [Section 6.2](#).

6.1 Registration with Integro

1. Go to the [Program website](#).
2. Select Register for Integro [<https://eservices.nrcan-rncan.gc.ca>].
3. Continue to GC Key.
4. Login with an existing GC Key; Create a GC Key; or login to “Sign-in Partner”.
5. On the Welcome Page, click “Continue”.
6. On the Natural Resources Canada eServices page, **select “Integro” if you already have an account.**
If you **don’t have an Integro account, select “Register”**.
7. **Create a Client Profile** – you must have a Client Profile to continue.
If you already have a Client Profile, select an option from the Menu:

a. Welcome	Welcome
b. Client Profile	Edit and/or Register a Client Profile
c. My Submission	View existing submissions or start a new submission
d. Service Request	Request an amendment or report a technical problem
e. User Information	Update your user information (i.e. email address)
f. Help	View help topics related to Integro
g. Logout	Logout of Integro

When completing the Application Form, please consider the following:

- ❖ Ensure you “save” your work by clicking the “next” button (**all fields are mandatory**).
- ❖ Please ensure to attach the mandatory documents and the additional applicable attachments.
- ❖ You can save a section and go back to the Application at a later date to complete it. The Application must be complete before you can submit.
- ❖ Should you need to make changes after the Application is submitted, you will have to request an amendment from the Program **within the open RFP period**. The Program will release the Application back to you for amendment.
- ❖ For helpful information, visit **Integro – Help**, and for all other Integro questions, **email the Program** at nrcan.erf-fre.nrcan@canada.ca



6.2 Mandatory Documentation Checklist

To submit a completed on-line Application Form to the ERF under the specified intake period, the following documentation **must** be included:

1. **Engineer certified Baseline Opportunity Assessment (BOA) or equivalent (Refer to [Section 2.3.1](#));**
2. **Proof of Business Incorporation, Articles of Incorporation or Registration;**
3. **Business Plan for proposed project(s), which must include:**
 - ❖ Detailed technical description of the project;
 - ❖ Financial indicators;
 - ❖ Financial forecasting or analysis that includes anticipated earnings (or cost savings) resulting from the projects;
 - ❖ Cost estimate that meets or exceeds a Class-3 level as per the American Association of Cost Engineers (AACE) Cost Estimate Classification System;
 - ❖ Applicant's goals;
 - ❖ Problems and solutions the project proposal aims to address;
 - ❖ External and internal project risks and mitigation;
 - ❖ Verification that conserved natural gas can be accepted into gas gathering or gas processing systems, if applicable;
 - ❖ Repayment plan; and,
 - ❖ Other items relevant to the project.

Note that the Business Plan is required in addition to the BOA or equivalent, unless the Business Plan includes all the required information contained within the BOA.

4. **For a business incorporated for three or more years, include the last three years of Audited or Reviewed Financial Statements.** If incorporated for less than three years, submit any available Audited or Reviewed Financial Statements. In the event that the company does not have Audited or Reviewed Financial Statements (e.g., newly incorporated), please submit statements certified by the Corporation's Chief Financial Officer. For all applicants, if available, submit the most recent interim financial statements if the Audited or Reviewed Financial Statements are more than six months old.
5. **Company's Budget and Cash Flow Forecast for the next two fiscal years.** Please include analysis of the potential risks impacting the financial performance anticipated and major assumptions used to prepare the Budgets and Cash Flow Forecast.
6. **Background information about the company,** this may include a brief history of the company, a description of the services and expertise offered by the company, as well as the mission and vision.
7. **Completed Section 5 of the Application Form: Applicant Attestations**
8. **Completed Appendix A of the on-line Application Form: Key Milestones of the project(s)-or equivalent (Refer to Appendix A: Key Milestones of the Project(s)); and,**
9. **If the proposed project(s) applies to multiple facilities, provide a document with the relevant facility identification numbers and corresponding provinces if not otherwise specified in the in on-line Application Form.**



SECTION 7: CONTRIBUTION AGREEMENTS

This section contains information which will be relevant only to applicants who are selected to receive funding under the Program.

7.1 Basis of Payments

The Government of Canada's fiscal year is the period beginning on April 1 of any year and ending March 31 in the next year. Multi-year agreements will establish a funding amount per fiscal year adding up to the total contribution under the agreement.

Details will be provided within each contribution agreement regarding documentation that is required when submitting a claim for payment. The contribution agreement will also stipulate the start date and end date of eligible costs for each project.

The Program may make advance payments, with amounts determined based on project milestones and based on requirements described in the terms and conditions of the contribution agreement.

7.2 Reporting Requirements

Recipient reporting will be performed at the project level, where periodic status reports to support claims for payments as well as post-project reports will confirm activities performed match those that were supported under the contribution (i.e., status reports will serve as a monitoring tool). Reporting requirements include financial, progress, and performance reports.

Upon project completion, recipients will provide information that demonstrates how the contribution was spent, with a declaration as to the total amount of contributions or payments received from other sources in respect of the Project. Recipients will also provide a final narrative report to describe how project activities have contributed to the achievement of the objectives of the project and a final assessment of performance indicators to report on short term, intermediate term, and long term outcomes of the project.

Contribution agreements may include reporting requirements that extend beyond the repayment period (e.g., with respect to GHG emissions, project-related intellectual property, full-time equivalent job numbers).

7.3 Impact Assessment Considerations

The Impact Assessment Act and its regulations establish the legislative basis for the federal practice of impact assessment in most regions of Canada. Projects in Canada's north are assessed under separate legislation, depending on the region in which the proposed project occur.

Under the *Act*, an impact assessment (potential environmental, health, social and economic impacts of proposed projects, including benefits) may be required for Designated Projects. A Designated Project include one or more physical activities that are listed in the Physical Activities Regulations (commonly known as the Project List), as well as any physical activity incidental to those listed physical activities. If you are unclear as to whether your project and its physical activities are captured under the Physical Activities Regulations, please contact the Impact Assessment Agency of Canada.

Projects not on the Designated Project List may require federal impact assessment if they occur on federal lands, involve physical activity related to a physical work, and involve Natural Resources Canada through funding. Additional information on Impact Assessment for projects on federal lands or outside of Canada can be found in section 82 through 91 of the *Impact Assessment Act*.



Applicants are **not** required to submit any additional information regarding Impact Assessment at the application stage. In case where the *Impact Assessment Act* might apply to proposed project, the Program will work with the eligible recipient to assess the requirements specific to the project.

7.4 Duty to Consult

The Supreme Court of Canada affirmed that the Government of Canada has a legal duty to consult with Indigenous groups, and where appropriate to accommodate, when a contemplated Crown conduct may have adverse impact on existing or potential Aboriginal or treaty rights. This is true whether those Aboriginal rights have been established (proven in court or agreed to in treaties) or whether there is potential for rights to exist.

The duty to consult is an important part of the federal government's activities, including for regulatory project approvals and provision of funding, licensing and authorization for permits, operational decisions, policy development, negotiations and more. Federal departments and agencies are responsible for understanding how and when their activities could have an adverse impact on Aboriginal and treaty rights, and consultation should occur prior to the federal government taking any action.

To that end, for each project proposal that is approved for funding consideration, program officers will review the application to determine if the proposed project is likely to result in an adverse impact on established, claimed or potential Aboriginal or treaty rights. Where appropriate, a meaningful and adequate consultation process, commensurate with the severity of adverse impact and strength of the claims, will be undertaken.

Eligible recipients' consultation with Indigenous groups is not required under the Program as part of the application process. However, applicants are encouraged to report if they have already conducted consultation or engagement activities in relation to the project proposal or as part of the applicant's ongoing operations/corporate commitments. Applicants are asked to identify Indigenous groups they have interacted with and describe the type and frequency of activities undertaken.

7.5 Confidentiality and Security of Information

The Access to Information Act, governs the protection and disclosure of information, confidential or otherwise, supplied to a federal government institution.

Paragraph 20(1) (b) of the *Act* sets out two mandatory criteria in order to protect Applicant's confidential information supplied to Natural Resource Canada from disclosure. First, the Applicant's document supplied to Natural Resource Canada must contain financial, commercial, scientific or technical information. Second, the Applicant must consistently treat such information in a confidential manner. In other words, Natural Resources Canada, will protect the Applicant's confidential information in its possession as much as the applicant protects said confidential information in its own establishment.

For more information on this subject, a careful reading of the entire Section 20 of the [Access to Information Act](#) is encouraged.



DEFINITIONS

“Applicant” is the person/organization who has submitted or is going to submit a proposal to the Emissions Reduction Fund.

“Baseline” is the accurately and individually quantified volume(s) and flow rate(s) of intentionally vented natural gas, either directly into the atmosphere, or directly into a flare system, or both, from the one or more individual sources within the one or more facilities included in the project proposal, at the time that the proposal is submitted into the ERF application process.

“BOA” is the acronym for “Baseline Opportunity Assessment”. Under the Emissions Reduction Fund, a BOA is defined as a **Baseline Opportunity Assessment or equivalent certified by an engineer registered in Canada**.

“Carbon dioxide equivalent” or **“CO₂e”** is the measure to quantify the emissions from various greenhouse gas substances on the basis of their comparable global-warming potential in terms of carbon dioxide. The CO₂e will be calculated in a standardized manner by the Program, utilizing detailed information provided in the BOA.

“Conventional Oil and Natural Gas” includes all upstream and midstream infrastructure that gathers, treats, processes, stores or transports crude oil, natural gas and natural gas condensates, produced from vertical or directionally drilled wells that were completed with or without the use of hydrofracturing.

“Gas Conservation”, or “Conservation” means upgrades to existing capital infrastructure, or the construction of new infrastructure, required to achieve any or all of the following outcomes:

- ❖ Capture 100% of natural gas being intentionally vented from one or more sources within one or more facilities,
- ❖ Direct the captured natural gas into a fuel management/delivery system for onsite use;
- ❖ Direct the captured natural gas into a gathering system for offsite transfer;
- ❖ Gather captured natural gas from one or more sites, for transfer to gas processing; and
- ❖ Process captured natural gas to produce “pipeline quality” dry natural gas for distribution into the downstream natural gas system.

“In-kind” means a contribution from a Proponent and/or its partners which is not a cash contribution, but which is verifiable and is directly attributable to the Project.

“Intake period” means the period of time by which applications can be accepted through the online portal.

“Lowering” emissions refers to reducing the current state of GHG emissions (e.g., flaring). If a lower-bleed pneumatic device is installed, the gas that is currently being vented can be directed to a flare or an incinerator so that it becomes CO₂ instead of methane. If an eligible project results in reducing emissions, it may qualify for an interest-free loan; whereas if an eligible project completely eliminates GHGs, it may qualify for an interest-free loan and a grant.

“Profit” means in direct relation to the Project, net income as determined by Generally Accepted Accounting Principles (GAAP).

“Project Completion” refers to the date on which all project activities have been completed and implemented, and after which results can be measured.

“Project proposal” or **“Application”** means a completed proposal submitted to the Emissions Reduction Fund, “The Program”.

“Total Project Costs” means the Contribution and other verifiable cash or in-kind contributions either received or contributed by the Proponent and directly attributable to the Project.

“Unconventional Oil” includes oil sands that are mined or unconventionally produced through vertical or directionally drilled wells.