Danish Energy Agency

APPENDIX 5

SUBSIDY AND ECONOMY SCHEME

Contract on subsidy for carbon capture, transport, and Storage

Instructions for tenderers

This Appendix constitutes General Requirements in its entirety, see Tender specifications, paragraph 6.

The tenderers shall not fill in or complete this Appendix and it should not be submitted as a part of the tenderer's offer.

This guidance text will be deleted by the DEA in connection with conclusion of the Contract.

Content

1. INTRODUCTION

1.1 This Appendix sets out the calculation and payment of Subsidy and Penalties.

1.2 Capitalised terms used in this Appendix shall have the meaning ascribed to them in Appendix 2, Definitions. Additional terms are furthermore defined for the purpose of this Appendix only. Such terms are also capitalised and shall have the meaning ascribed to them in clause 2. Moreover, selected definitions from Appendix 2 are also listed in clause 2 below.

2. DEFINITIONS

- 2029-Quantity means the quantity of CO_2 specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, that the Operator is obliged to capture and Store, in 2029, i.e. the period from 1 January 2029 at the earliest until (and including) 31 December 2029 in accordance with the Contract. [*The Operator is not obliged to specify any 2029-Quantity]*

- Actual Atmospheric Allowances Fraction means the actual fraction (in percentage) of the Verified Delivered Quantity in a given calendar year subject to atmospheric allowances.[1]

- Actual Biogenic Allowances Fraction means the actual fraction (in percentage) of the Verified Delivered Quantity in a given calendar year subject to biogenic allowances.[2]

- Actual Fossil EUA Fraction means the actual fossil fraction (in percentage) of the Verified Delivered Quantity in a given calendar year, which would have required EUA if not captured and Stored.

- Actual Subsidy means an amount in DKK excluding VAT calculated by the DEA in connection with the Annual Settlement for a given calendar year.

- Actual Subsidy Rate means an amount in DKK per tonne CO_2 excluding VAT calculated by the DEA for the Annual Settlement for a given calendar year in accordance with Appendix 5, Subsidy and economy scheme.

[1] This becomes relevant if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, become voluntary for Operators capturing and Storing Atmospheric CO_2.

[2] This becomes relevant if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, become either mandatory or voluntary for emitters of Biogenic CO_2.

- Actual Total Carbon Credit Income means the total income in DKK generated by Carbon Credits related to the Verified Delivered Quantity in a given calendar year.

- Actual Total Tax Savings means a total amount in DKK based on the sum of the Emission Tax and CO_2 Tax that would have been subject to payment in a given calendar year if the Verified Delivered Quantity had not been captured and Stored.

- Annual Forecast Quantity means the total quantity of CO_2, which the Operator expects to Store in a given calendar year submitted by the Operator in accordance with R-6, Appendix 3, Requirements specification.

- Annual Quantity means the quantity of CO_2 specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, that the Operator is obliged to capture and Store every calendar year from 2030 until (and including) 2044 in accordance with the Contract. As a minimum the Annual Quantity shall be 100,000 tonnes of CO_2.

- Annual Settlement means the calculations made by the DEA after a given calendar year of operation in accordance with Appendix 5, Subsidy and economy scheme in order to ascertain whether the Operator shall repay subsidy.

- Atmospheric CO_2 means CO_2 from the ambient air and not the emissions from energy or industrial plants.

- Baseline EUA Savings Per Tonne means an amount in DKK per tonne of CO_2 calculated for each calendar year from 2030 (or 2029, if relevant) until (and including) 2044 on the basis of the Baseline Fossil EUA Fraction and the Baseline EUA Value. The Baseline EUA Savings Per Tonne is specified in Appendix 6, Offered Rate, Contracted Quantity & baselines.

- Baseline EUA Value means the price of EUA specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, for each calendar year from 2029 until (and including) 2044.

- Baseline Fossil EUA Fraction means the fossil fraction (in percentage) of the Annual Quantity in a given year (or for 2029, if relevant, of the 2029-Quantity) which would require EUA if not Stored. The Baseline Fossil EUA Fraction is specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, for each calendar year from 2030 (or 2029, if relevant) until (and including) 2044.

- Baseline Tax Savings Per Tonne means an amount in DKK per tonne of CO_2 calculated by dividing the Baseline Total Tax Savings in a given calendar year with the Annual Quantity (or for 2029, if relevant, divided with the 2029-Quantity). The Baseline Tax Savings Per Tonne is specified in

Appendix 6, Offered Rate, Contracted Quantity and baselines, for each calendar year from 2030 (or 2029, if relevant) until (and including) 2044.

- Baseline Total Carbon Credit Income means the income generated by Carbon Credits related to the Storage of the Annual Quantity in a given calendar year (for 2029, if relevant, of the 2029-Quantity). The Baseline Total Carbon Credit Income is specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, for each calendar year from 2030 (or 2029, if relevant) until (and including) 2044.

- Baseline Total Tax Savings means a total amount in DKK based on the sum of Emission Tax and CO_2 Tax that would have been subject to payment in a given year if the Annual Quantity (or 2029-Quantity, if relevant) had not been captured and Stored. The Baseline Total Tax Savings is specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, for each calendar year from 2030 (or 2029, if relevant) until (and including) 2044.

- Biogenic CO_2 means CO_2 that originates from the combustion, digestion, fermentation, decomposition or processing of non-fossil fuels or feedstock such as biomass. Furthermore, to qualify as Biogenic CO_2, the biomass input, from which the CO_2 is captured, shall comply with the at any time applicable sustainability criteria for renewable energy production according to "Bekendtgørelse om bæredygtighed og besparelse af drivhusgasemissioner for biomassebrændsler og flydende biobrændsler til energiformål, m.v." (BEK nr 530 af 28/05/2024) and later amendments thereof concerning use of biomass and biomass fuel for the production of electricity, heating or fuels, including biogas.

- Carbon Credits means certificates (or similar terms such as e.g. "voluntary credits" and "voluntary certificates") representing the removal of one metric ton of CO_2 through verified CO_2 removal activities, which are tradable in voluntary markets.

- CO_2 Tax (in Danish: *CO_2-afgift*) refers to the Danish, national tax governed by Act on carbon dioxide tax on certain energy products, cf. consolidation Act no. 1353 of 2 September 2020[3] with later amendments thereof, including e.g. by Act amending the Act on carbon dioxide tax on certain energy products, Act on energy tax on mineral oil products, etc., Act on tax on natural gas and city

[3] In Danish: *Lov om kuldioxidafgift af visse energiprodukter, jf. lovbekendtgørelse nr. 1353 af 2. september 2020*

gas, etc., Act on tax on hard coal, lignite and coke, etc. and various other laws[4] no. 683 of 11 June 2024.

- Contracted Quantity means the quantity of CO_2 specified in Appendix 6, Offered Rate, Contracted Quantity & baselines, that the Operator is obliged to capture and Store in accordance with the Contract, i.e. the total tonnage of the Contract – the sum of the Annual Quantities and the 2029-Quantity, if any.

- Delivered Quantity means the total quantity of CO_2 Stored in accordance with the Contract in a given period.

- Emission Tax (in Danish: *emissionsafgift*) refers to the Danish, national tax governed by Act on taxation of CO_{2e}-emissions from quota covered sectors (Act on emission tax)[5] no. 619 of 11 June 2024 with later amendments thereof.

- Forecast Atmospheric Allowances Fraction means the fraction (in percentage) of the Annual Forecast Quantity subject to atmospheric allowances in a given calendar year specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.[6]

- Forecast Biogenic Allowances Fraction means the fraction (in percentage) of the Annual Forecast Quantity subject to atmospheric allowances in a given calendar year specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.[7]

- Forecast Fossil EUA Fraction means the fossil fraction (in percentage) of the Annual Forecast Quantity which would have required EUA if not captured and Stored in a given calendar year specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.

[4] In Danish: *Lov om ændring af lov om kuldioxidafgift af visse energiprodukter, lov om energiafgift af mineralolieprodukter m.v., lov om afgift af naturgas og bygas m.v., lov om afgift af stenkul, brunkul og koks m.v. og forskellige andre love, jf. lov nr. 683 af 11. juni 2024.*

[5] In Danish: *Lov om afgift af CO2e-emissioner fra kvoteomfattede sektorer (emissionsafgiftsloven), jf. lov nr.619 af 11. juni 2024.*

[6] This becomes relevant if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, become voluntary for Operators capturing and Storing Atmospheric CO_2.

[7] This becomes relevant if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, become either mandatory or voluntary for emitters of Biogenic CO_2.

- Forecast Total Carbon Credit Income means the total expected income in DKK generated by Carbon Credits related to the Storage of the Annual Forecast Quantity in a given calendar year specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.

- Forecast Total Tax Savings means a total amount in DKK based on the sum of Emission Tax and CO_2 Tax that would have been subject to payment in a given year if the Annual Forecast Quantity had not been Stored, specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.

- Fossil CO_2 means CO_2 that originates from the combustion of fossil fuels or products made from fossil fuels as well as process emissions from e.g. cement production.

- Invoiced Quantity means the quantity of CO_2 in a given period that the calculation of invoiced amount has been based on.

- Offered Rate means the amount in DKK per tonne CO_2 captured and Stored excluding VAT offered by the Operator and stated by the Operator in Appendix 6, Offered Rate, Contracted Quantity & baselines.

- Penalty / Penalties means an amount to be paid by the Operator to the DEA under the conditions stipulated in the Contract, notwithstanding whether or not the DEA can demonstrate a loss.

- Storage and its verb form Store (including any related verb conjugations) means either a physical CO_2 storage site where the CO_2 is permanently, geologically stored or the act of permanently, geologically storing CO_2.

- Subsidy/Subsidies means the subsidies that the Operator may become entitled to under the Contract.

- Subsidy Rate means an amount in DKK per tonne CO_2 excluding VAT calculated by the DEA for invoicing of Delivered Quantity in accordance with Appendix 5, Subsidy and economy scheme.

- Verified Delivered Quantity means the total quantity of CO_2 Stored in accordance with the Contract in a given calendar year verified in accordance with R-8, Appendix 3, Requirements specification.

3. CALCULATION OF SUBSIDY RATE

3.1 The Subsidy shall be paid per tonne CO_2 Stored in accordance with the Contract. The Subsidy shall be based on the Subsidy Rate (an amount in DKK per tonne CO_2 excluding VAT) calculated by the DEA for the invoicing of Delivered Quantities as further set out in this Appendix 5 Subsidy and economy scheme. The Subsidy is subject to VAT.

3.2 The Subsidy Rate shall be based on the Offered Rate subject to indexation, see clause 5.2, and subject to the following deductions:

- savings of EUA and CO_2 related taxes related to the Storage of the Contracted Quantity
- Carbon Credit income related to the Storage of the Contracted Quantity
- if applicable due to future legislation, savings of biogenic and/or atmospheric allowances related to the Storage of the Contracted Quantity

The Subsidy Rate shall be calculated as set out in clause 3.6.

3.3 The Subsidy Rate cannot exceed the Offered Rate (subject to indexation), i.e. the Subsidy Rate for a given year cannot exceed the amount calculated as the Offered Rate adjusted in accordance with clause 5.2 for the given year.

3.4 If no deductions are applicable and thus not applied in the calculation of the Subsidy Rate, the Subsidy Rate will be equal to the value of the Offered Rate adjusted in accordance with clause 5.2. for the given year.

3.5 The Subsidy Rate cannot be less than zero, i.e. negative.

3.6 The Subsidy Rate shall be calculated as set out in clause 3.6.1 or, if applicable due to further legislation, as set out in either clause 3.6.2 or clause 3.6.3.

3.6.1 The Subsidy Rate shall be calculated as follows:

$$\text{Subsidy Rate} = Offered\ Rate_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot Excess\_income_{CarbonCredits}$$

Where:

$Offered\ Rate_t$ is the Offered Rate. The $_t$ denotes that the value is adjusted in accordance with clause 5.2 for the given year.

$\Delta Savings_{EUA}$ is the difference (increase or decrease) in the EUA savings per tonne CO_2 compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 3.7 and clause 7.

$\Delta Savings_{tax}$ is the difference (increase or decrease) in the CO_2-related tax savings per tonne CO_2 compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 3.7 and clause 7.

$Excess\_income_{CarbonCredits}$ is the excess Carbon Credit income per tonne CO_2 for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 3.8 and clause 8.

3.6.2 If future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, becomes mandatory for emitters of Biogenic CO_2, and under the preconditions in clause 9.2, then any savings related to allowances under such a scheme will be included in the calculation of the Subsidy Rate, taking any decreased Carbon Credit income into account.

In this case, the Subsidy Rate will be calculated as follows:

$$\text{Subsidy Rate} = Offered\ Rate_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot Excess_{income_{CarbonCredits}} - (Savings_{BiogenicAllowances} + decreased\_income_{CarbonCredits})$$

Where:

Where:

$Offered\ Rate_t$ is the Offered Rate. The $_t$ denotes that the value is adjusted in accordance with clause 5.2 for the given year.

$\Delta Savings_{EUA}$ is the difference (increase or decrease) in the EUA savings per tonne CO_2 compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 3.7 and clause 7.

$\Delta Savings_{tax}$ is the difference (increase or decrease) in the CO_2-related tax savings per tonne CO_2 compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 3.7 and clause 7.

$Excess\_income_{CarbonCredits}$ is the excess Carbon Credit income per tonne CO_2 for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 3.8 and clause 8.

$Savings_{BiogenicAllowances}$ is the savings per tonne CO_2 in case participation in the ETS becomes mandatory, see clause 9.

$decreased\_income_{CarbonCredits}$ is the potential decrease in the Operator's Carbon Credit income and will be either a negative value or zero (i.e. cannot be positive), see clause 9.

See clause 9.4 and 9.5 for the determination and calculation of a deduction regarding biogenic and/or atmospheric allowances under this scenario.

3.6.3 If future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, becomes voluntary for emitters of Biogenic CO_2 and operators capturing Atmospheric CO_2, and under the preconditions in clause 9.3, then 90 % of the total savings related to allowances under such a scheme will be included in the calculation of the Subsidy Rate, taking any decreased Carbon Credit income into account.

In this case, the Subsidy Rate will be calculated as follows:

$$\text{Subsidy Rate} = Offered\ Rate_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot Excess_{income_{CarbonCredits}} - 0.9 \cdot (Savings_{BiogenicAllowances} + decreased\_income_{CarbonCredits})$$

Where:

$Offered\ Rate_t$ is the Offered Rate. The $_t$ denotes that the value is adjusted in accordance with clause 5.2 for the given year.

$\Delta Savings_{EUA}$ is the difference (increase or decrease) in the EUA savings per tonne CO_2 compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 3.7 and clause 7.

$\Delta Savings_{tax}$ is the difference (increase or decrease) in the CO_2-related tax savings per tonne CO_2 compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 3.7 and clause 7.

$Excess\_income_{CarbonCredits}$ is the excess Carbon Credit income per tonne CO_2 for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 3.8 and clause 8.

$Savings_{BiogenicAllowances}$ is the savings per tonne CO_2 in case participation in the ETS becomes voluntary see clause 9

$decreased\_income_{CarbonCredits}$ is the potential decrease in the Carbon Credit income and will be either a negative value or zero (i.e. cannot be positive), see clause 9.

See clause 9.4 and 9.6 for the determination and calculation of a deduction regarding biogenic and/or atmospheric allowances under this scenario.

3.7 Any increase in the total sum of savings related to EUA and CO_2-related taxes for a given year compared to the total sum of the index-adjusted Baseline EUA Savings Per Tonne and index-adjusted Baseline Tax Savings Per Tonne for the given year – as calculated by the DEA in accordance with clause 7 - shall be deducted in the calculation of the Subsidy Rate, see the formulae in clause 3.6.

If the total sum of EUA and CO2-related tax savings for a given year – as calculated by the DEA in accordance with clause 7 - is equal to or has decreased compared to the total sum of the index-adjusted Baseline EUA Savings Per Tonne and index-adjusted Baseline Tax Savings Per Tonne for the given year, then the total sum of $\Delta Savings_{EUA}$ and $\Delta Savings_{tax}$ shall be set at 0 (i.e. zero) by the DEA when calculating the Subsidy Rate by using the formulae in clause 3.6.

3.8 Any increase in the Forecast Total Carbon Credit Income for a given year compared to the index-adjusted Baseline Total Carbon Credit Income for the given year shall result in a deduction. 90 % of the excess Carbon Credit income for the given year - as calculated by the DEA in accordance with clause 8 - shall be deducted in the calculation of the Subsidy Rate, see the formulae in clauses 3.6.

If the Forecast Total Carbon Credit income for a given year is equal to or has decreased compared to the index-adjusted Baseline Total Carbon Credit Income for the given year, the DEA shall set the value of $Excess\_income_{CarbonCredits}$ at 0 (i.e. zero) when calculating the Subsidy Rate by using the formulae in clause 3.6.

3.9 The DEA will calculate the Subsidy Rate and inform the Operator of the Subsidy Rate as follows:

a) the DEA will calculate the Subsidy Rate before the end of each quarter in a given year and inform the Operator of the Subsidy Rate no later than on the 20th in the last month of each quarter (i.e. no later than 20 March, 20 June, 20 September and 20 December). This means that the DEA will calculate a total of four individual Subsidy Rates in a given year. This applies if:

   i) the Operator has specified a Baseline Fossil EUA Fraction for the given year of and/or if the Operator has specified a Forecast Fossil EUA Fraction in the forecast for the given year submitted in accordance with R-6, Appendix 3 Requirement specification

ii) if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, becomes either mandatory for emitters of Biogenic CO_2 or voluntary for emitters of Biogenic CO_2 and Operator's capturing Atmospheric CO_2 and the Operator has specified a Forecast Atmospheric Allowances Fraction and/or Biogenic Allowances Fraction in the forecast for the given year, see R-6, Appendix 3 Requirement specification

b) the DEA will calculate the Subsidy Rate once for a given year and inform the Operator of the Subsidy Rate no later than on the 20th in the last month of the first quarter in a given year (i.e. no later than 20 March). This applies if the Operator is not encompassed by clause a) above.

3.10 After each year of operation, the DEA shall perform an Annual Settlement for the given year, where the DEA shall calculate the Actual Subsidy based on the Verified Delivered Quantity and, if relevant, the Actual Subsidy Rate. If the Annual Settlement shows that excess subsidy has been paid to the Operator for the given year, the Operator shall repay the excess amount, see clause 11. The Annual Settlement cannot result in an obligation for the DEA to pay further subsidy for the given year. See clause 11 for a detailed breakdown of the Annual Settlement.

3.11 In addition to the Annual Settlement, the Operator may be subject to repayment of the subsidy in accordance with clause 12.

3.12 See Sub-appendix 5.A, Illustration of forecast, invoicing & Annual Settlement, for an overview of the yearly timeline for a) Operators Storing Fossil CO_2, and b) Operators not Storing Fossil CO_2. In case of any inconsistencies, Appendix 5 prevails.

3.13 See Sub-appendix 5.B, Examples of Subsidy Rate & Annual Settlement calculations, for examples of how the DEA will perform the calculations described in this Appendix 5 under different scenarios. In case of any inconsistencies, Appendix 5 prevails.

4. INVOICING

4.1 For each quarter, the Operator shall invoice the DEA based on the Delivered Quantity in the quarter multiplied with the Subsidy Rate applicable for the given quarter plus VAT. Quarterly invoicing is based on the quarters of the calendar year.

4.2 For each year, the Operator can only claim Subsidy for a quantity up to the Annual Quantity (for 2029, if relevant, the 2029-Quantity), or Annual Forecast Quantity if this is less than the Annual Quantity (for 2029, if relevant, the 2029-Quantity). The Operator is not entitled to any subsidy or

any other payment for stored CO_2 exceeding the Annual Quantity (for 2029, if relevant, the 2029-Quantity), or Annual Forecast Quantity if this is less than the Annual Quantity (for 2029, if relevant, the 2029-Quantity). No unused funds – i.e. in case the Operator fails to deliver the total Annual Forecast Quantity within one year - can be transferred to subsequent years.[8]

4.3 The Operator shall with each invoice provide documentation in accordance with R-6, Appendix 3, Requirements specification (Quarterly Report on Delivered Quantity).

4.4 Invoices regarding the Delivered Quantity in a given quarter and the Quarterly Report on Delivered Quantity shall be submitted no later than 10 Business Days after the end of the given quarter. Invoices regarding the last quarter of a year shall be submitted to the DEA no later than 10 January of the following year.

4.5 Reference is also made to the Contract, clause 16 regarding invoicing, terms of payment etc.

5. INDEXATION

5.1 Introduction

5.1.1 The Offered Rate, Baseline Total Carbon Credit Income, Baseline EUA Savings Per Tonne and Baseline Tax Savings Per Tonne shall be subject to indexation in accordance with the provisions set out in the following clauses.

5.1.2 All index-adjusted amounts will be rounded to two decimal places.

5.2 Indexation of the Offered Rate

5.2.1 The Offered Rate will be adjusted annually based on the consumer price index (in Danish: “Forbrugerprisindeks”) published by the Danish Agency for Public Finance and Management (in Danish “Økonomistyrelsen”).[9] The index value is located in row “Forbrugerprisindeks” and column

[8] The CCS fund is a funding governed by statutory appropriation with expenditure ceiling (in Danish: Lovbunden bevilling under udgiftsloft). Therefore, unused funds, cannot.be postponed or transferred, in whole or in part, to another year.

[9] The index is set in May for the following year by the Danish Agency for Public Finance and Management. E.g. the adjustment for expected inflation on public grants for the year 2025 was set in May 2024.

"Samlet opregning" in the table "Pris- og lønforudsætninger", which is published on the Danish Agency for Public Finance and Management's webpage.[10]

5.2.2 As 2025 defines the reference price level, the index-adjusted Offered Rate for 2030 is calculated as:

$$\text{Offered Rate}_{2030} = Offered\ Rate \cdot \left(1 + \frac{CPI_{2026}}{100}\right) \cdot \left(1 + \frac{CPI_{2027}}{100}\right) \cdot \left(1 + \frac{CPI_{2028}}{100}\right) \cdot \left(1 + \frac{CPI_{2029}}{100}\right) \cdot \left(1 + \frac{CPI_{2030}}{100}\right)$$

CPI_t is the consumer price index-value for a given year.

5.2.3 For any subsequent year of operation, the index-adjusted Offered Rate is calculated with the index-adjusted Offered Rate of the previous year as reference, so that the index-adjusted Offered Rate for 2031 is calculated with the index-adjusted Offered Rate for 2030 as a reference, the index-adjusted Offered Rate for 2032 is calculated with the index-adjusted Offered Rate for 2031 as reference, etc.

Thus, the index-adjusted Offered Rate for 2031 will be calculated as follows:

$$\text{Offered Rate}_{2031} = \text{Offered Rate}_{2030} \cdot \left(1 + \frac{CPI_{2031}}{100}\right)$$

5.3 Indexation of the Baseline Total Carbon Credit Income & Baseline EUA Savings Per Tonne

5.3.1 The Baseline Total Carbon Credit Income & Baseline EUA Savings Per Tonne will be adjusted annually based on the consumer price index (in Danish: "Forprugerprisindeks") published by the Danish Agency for Public Finance and Management (in Danish "Økonomistyrelsen").[11] The index value is located in row "Forbrugerprisindeks" and column "Samlet opregning" in the table "Pris- og lønforudsætninger", which is published on the Danish Agency for Public Finance and Management's webpage.[12]

[10] https://oes.dk/statsregnskab/finanslov-og-udgiftsopfoelgning/indeks/pris-og-loenforudsaetninger/

[11] The index is set in May for the following year by the Danish Agency for Public Finance and Management. E.g. the adjustment for expected inflation on public grants for the year 2025 was set in May 2024.

[12] https://oes.dk/statsregnskab/finanslov-og-udgiftsopfoelgning/indeks/pris-og-loenforudsaetninger/

5.3.2 Since 2025 defines the reference price level of the Baseline Total Carbon Credit Income, to calculate the indexed Baseline Total Carbon Credit Income for any given year, the 2025-price level of the Baseline Total Carbon Credit Income in any given year must be indexed annual until that year is reached. This is done by first indexing the price 2025-price level to 2026 and then indexing that indexed value to 2027 and so on until the relevant year has been reached. For example, the Baseline Total Carbon Credit Income for 2030 (in 2030 price level) is calculated as follows:

$$I_{CC}^{baseline,2030}{}_{p=2030} = I_{CC}^{baseline,2030}{}_{p=2025} \cdot \left(1+\frac{CPI_{2026}}{100}\right) \cdot \left(1+\frac{CPI_{2027}}{100}\right) \cdot \left(1+\frac{CPI_{2028}}{100}\right) \cdot \left(1+\frac{CPI_{2029}}{100}\right) \cdot \left(1+\frac{CPI_{2030}}{100}\right)$$

CPI_t is the consumer price index-value for a given year.

$I_{CC}^{baseline,2030}{}_{p=2025}$ is the Baseline Total Carbon Credit Income in 2030 given in 2025-prices (total income in DKK).

$I_{CC}^{baseline,2030}{}_{p=2030}$ is the Baseline Total Carbon Credit Income in 2030 given in 2030-prices (total income in DKK).

5.3.3 Similarly, to index the Baseline Carbon Credit Income of year 2037 to 2037 prices, the 2025 value of the Baseline Carbon Credit Income of year 2037 would be indexed annually until 2037, using the Consumer Price Index for each intermediate year.

5.3.4 The Baseline EUA Savings Per Tonne for 2030 and subsequent years of operation will be calculated in the same manner as for the Baseline Total Carbon Credit Income.

5.4 Indexation of the Baseline Tax Savings Per Tonne

5.4.1 The Baseline Tax Savings Per Tonne will be adjusted annually based on the net price index (in Danish: “nettoprisindeks”) published by the Statistics Denmark (in Danish “Danmarks Statistik”) with a two-year lag applied.[13] The index value is located by selecting the tab 1) “Økonomi”, 2) “Prisindeks”, 3) “Nettoprisindeks, 4) “Nettoprisindeks efter hovedtal” and 5) “Årsstigning”.

5.4.2 Since 2025 defines the reference price level of the Baseline Tax Savings Per Tonne, to calculate the correct Baseline Tax Savings Per Tonne for any given year, the 2025 value of the Baseline Tax

[13] https://www.statistikbanken.dk/statbank5a/default.asp?w=1920 .

Savings Per Tonne in any given year must be indexed annually until that year is reached. For example, the Baseline Tax Savings Per Tonne for 2030 (in 2030 prices) is calculated as follows:

$$S_{tax}^{baseline,2030}{}_{p=2030} = S_{tax}^{baseline,2030}{}_{p=2025} \cdot \left(1+\frac{NPI_{2024}}{100}\right) \cdot \left(1+\frac{NPI_{2025}}{100}\right) \cdot \left(1+\frac{NPI_{2026}}{100}\right) \cdot \left(1+\frac{NPI_{2027}}{100}\right) \cdot \left(1+\frac{NP_{2028}}{100}\right)$$

NPI_t is the net price index-value for a given year.

$S_{tax}^{baseline,2030}{}_{p=2025}$ is Baseline Tax Savings Per Tonne in 2030 given in 2025-prices (DKK/Tonne)

$S_{tax}^{baseline,2030}{}_{p=2030}$ is Baseline Tax Savings Per Tonne in 2030 given in 2030-prices (DKK/Tonne)

5.4.3 Similarly, to index the Baseline Tax Savings Per Tonne of year 2037 to 2037 prices, the 2025 value of the Baseline Tax Savings Per Tonne of year 2037 would be indexed annually until 2037, using the Consumer Price Index for each intermediate year.

6. VARIABLES & PARAMETERS USED FOR DETERMINING AND CALCULATING SUBSIDY RATE DEDUCTIONS

6.1.1 In clause 7-9 the DEA's calculations of potential deductions for the calculation of the Subsidy Rate are described in detail. In order to provide an overview of the variables and parameters used in connection with this, the table in clause 6.1.5 has been compiled.

6.1.2 All variables and parameters, with the exception of market value of EUA (see clause 6.1.3 -6.1.4) and - if it becomes relevant – the market value of atmospheric allowance[14] and/or biogenic allowance[15] (see 6.1.3 - 6.1.4), are based on information found in either Appendix 6, Offered Rate, Contracted Quantity & baselines, or the Operator's forecast submitted in accordance with R-6 in Appendix 3, Requirements specification.

[14] This becomes relevant if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, become voluntary for Operators capturing and Storing Atmospheric CO_2.

[15] This becomes relevant if future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, become either mandatory or voluntary for emitters of Biogenic CO_2.

6.1.3 The market value of EUA, atmospheric allowance and biogenic allowance will be based on prices on CBAM certificates calculated and published by the European Commission according to Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism of 10 May 2023.

The market value of EUA shall be calculated as the average price of the CBAM certificates published by the European Commission from the 1st in the first month in the quarter subject to invoicing (i.e. 1 January, 1 April, 1. July, 1 October) up until and including the 15th in the last month in the quarter subject to invoicing (i.e. 15 March, 15 June, 15 September and 15 December).

The price of CBAM certificates shall be converted from EUR to DKK based on Danmarks Nationalbank's daily exchange rate, which is obtained from the European Central Bank at 4pm CET, for the day of each individual publication of price of CBAM certificates.

6.1.4 If the prices on CBAM certificates per tonne are not applicable to Biogenic and/or Atmospheric CO_2, or a similar certificate price related to Biogenic CO_2 is not calculated by the European Commission, the market value will then be calculated on the basis of an average closing price for futures contracts between September 20th to December 20th in the year prior to the year subject to adjustment. The market value will be converted from EUR to DKK based on Danmarks Nationalbank's daily exchange rate, which is obtained from the European Central Bank at 4pm CET, for each day when the forward price of the allowance is obtained. The price for futures contracts is obtained from the exchange/trading platform that on average had the largest volume of futures contracts in the specified timeframe.

6.1.5 A complete overview of the variables and parameters used in connection with the determination and calculation of the deductions is found in the table below:

Variable/parameter	**Mathematical expression**	**Unit**	**Source**
Annual Forecast Quantity	$Q^{forecast}$	Tonnes of CO_2	Operator's forecast
Annual Quantity	Q	Tonnes of CO_2	Appendix 6
Baseline EUA Value	$p_{EUA}^{baseline}$	DKK/tonne	Appendix 6
Baseline EUA Savings Per Tonne	$S_{EUA}^{baseline}$	DKK/tonne	Appendix 6
Baseline Fossil EUA Fraction	$f_{EUA}^{baseline}$	Pct.	Appendix 6
Baseline Tax Savings Per Tonne	$S_{tax}^{baseline}$	DKK/tonne	Appendix 6
Baseline Total Tax Savings	$S_{total_{tax}}^{baseline}$	Total income in DKK	Appendix 6

Baseline Total Carbon Credit Income	$I_{CC}^{baseline}$	Total income in DKK	Appendix 6
Forecast Atmospheric Allowances Fraction	$f_{dacCO2}^{forecast}$	Pct.	Operator's forecast
Forecast Biogenic Allowances Fraction	$f_{bioCO2}^{forecast}$	Pct.	Operator's forecast
Forecast Total Carbon Credit Income	$I_{CC}^{forecast}$	Total income in DKK	Operator's forecast
Forecast Fossil EUA Fraction	$f_{EUA}^{forecast}$	Pct.	Operator's forecast
Forecast Total Tax Savings	$f_{tax}^{forecast}$	Total income in DKK	Operator's forecast
Market value biogenic allowances	A_{bioCO2}^{MV}	DKK/tonne	DEA calculation
Market value atmospheric allowances	A_{dacCO2}^{MV}	DKK/tonne	DEA calculation
Market value EUA	p_{EUA}^{MV}	DKK/tonne	DEA calculation
Provisional atmospheric allowances savings per tonne	$S_{dacall}^{provisional}$	DKK/tonne	DEA calculation
Provisional biogenic allowances savings per tonne	$S_{bioall}^{provisional}$	DKK/tonne	DEA calculation
Provisional decreased Carbon Credit income per tonne	$decreased\_income_{CarbonCredits}$	DKK/tonne	DEA calculation
Provisional excess Carbon Credit income per tonne	$Excess\_income_{CarbonCredits}$	DKK/tonne	DEA calculation
Provisional EUA savings per tonne	$S_{EUA}^{provisional}$	DKK/tonne	DEA calculation
Provisional tax savings per tonne	$S_{tax}^{provisional}$	DKK/tonne	DEA calculation

7. DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING TOTAL EUA & CO_2-RELATED TAX SAVINGS (FOSSIL CO2)

7.1 Introduction

7.1.1 The DEA shall for each quarter of a given year of operation calculate whether the total sum of provisional EUA savings per tonne and provisional tax savings per tonne exceeds the total sum of the Baseline EUA Savings Per Tonne, adjusted in accordance with clause 5.3., and Baseline Tax Savings Per Tonne, adjusted in accordance with clause 5.4. The determination and calculation of

potential deduction regarding EUA savings and CO_2 related tax savings shall be made for each quarter of a given year. This entails that the DEA shall calculate a total of four individual Subsidy Rates for a given year if the Operator has specified a Baseline Fossil EUA Fraction for the given year of and/or if the Operator has specified a Forecast Fossil EUA Fraction in the forecast for the given year submitted in accordance with R-6, Appendix 3 Requirement specification.

7.1.2 The adjustment regarding the EUA savings, as set out in clause 7, shall apply with the value of EUA regardless of whether the Operator is an entity subject to EUA with respect to the Contracted Quantity or the Operator bases the performance of the Contract on a Sub-Supplier subject to EUA with respect to the Contracted Quantity. The adjustment regarding CO_2-related tax savings, as set out in clause 7, shall apply with the value of the tax savings regardless of whether the Operator is an entity subject to Emission Tax and/or CO2 Tax with respect to the Contracted Quantity or the Operator bases the performance of the Contract on a Sub-Supplier subject to such taxes with respect to the Contracted Quantity. The calculated EUA savings and the tax savings shall be considered as savings under the Contract and shall be applied with the calculated value, regardless of any agreement between the Operator and a Sub-Supplier and regardless of whether the Operator in fact has obtained an income or a reduction of cost.

7.1.3 In order to determine whether a deduction regarding EUA savings and CO_2-related Tax Savings shall apply for the calculation of the Subsidy Rate for a given invoicing period, see clause 7.4, the DEA will first calculate the Operator's provisional EUA savings per tonne, see clause 7.2, and provisional tax savings per tonne, see clause 7.3.

7.2 Calculation of provisional EUA savings per tonne

7.2.1 The provisional EUA savings per tonne for the given quarter is calculated by multiplying the Forecast Fossil EUA Fraction for the given year with the market value EUA for the given quarter, see clause 6.1.3, i.e. as follows:

$$S_{EUA}^{provisional} = f_{EUA}^{forecast} \cdot p_{EUA\_q}^{MV}$$

$f_{EUA}^{forecast}$ is the Forecast Fossil EUA Fraction (percentage).

p_{EUA}^{MV} is the market value EUA (DKK/tonne). The $_q$ denotes that it is the average market value of EUA in a given quarter.

7.3 Calculation of provisional tax savings per tonne

7.3.1 The provisional tax savings per tonne is calculated by dividing the Forecast Total Tax Savings of the given year with the Annual Forecast Quantity of the given year, i.e. as follows:

$$S_{tax}^{provisional} = \frac{f_{tax}^{forecast}}{Q^{forecast}}$$

$Q^{forecast}$ is the Annual Forecast Quantity (tonnes of CO_2).
$f_{tax}^{forecast}$ is the Forecast Total Tax Savings (total income in DKK).

7.4 Determination and calculation of Subsidy Rate deduction

7.4.1 In order to determine whether a deduction regarding EUA savings and CO_2-related Tax Savings shall apply for the calculation of the Subsidy Rate for a given invoicing period the DEA will calculate the following:

The difference between Provisional EUA Savings per Tonne and the index-adjusted Baseline EUA Savings Per Tonne:

$$\Delta Savings_{EUA} = S_{EUA}^{provisional} - S_{EUA_t}^{baseline}$$

$S_{EUA_t}^{baseline}$ is Baseline EUA Savings (DKK/Tonne). The $_t$ denotes that the value is adjusted in accordance with clause 5.3 for the given year.

And

The difference between the Provisional Tax Savings Per Tonne and the index-adjusted Baseline Tax Savings Per Tonne:

$$\Delta Savings_{tax} = S_{tax}^{provisional} - S_{tax_t}^{baseline}$$

$S_{Tax_t}^{baseline}$ is Baseline Tax Savings Per Tonne (DKK/Tonne). The $_t$ denotes that the value is adjusted in accordance with clause 5.4 for the given year.

7.4.2 If the sum of $\Delta Savings_{EUA}$ and $\Delta \text{Savings}_{tax}$ (i.e. $\Delta Savings_{EUA} + \Delta \text{Savings}_{tax}$) is strictly positive (i.e. larger than zero), a deduction of an amount equal to the sum shall be applied in the calculation of the Subsidy Rate as set out in the applicable formula in clause 3.6

7.4.3 If the sum of $\Delta Savings_{EUA}$ and $\Delta \text{Savings}_{tax}$ is 0 (i.e. zero) or negative, then no deduction regarding EUA savings and CO_2-related Tax Savings shall apply and the DEA shall set the value of ($\Delta Savings_{EUA}$ + $\Delta \text{Savings}_{tax}$) at 0 (i.e. zero) when calculating the Subsidy Rate as set out in the applicable formula in clause 3.6.

8. DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING EXCESS CARBON CREDIT INCOME (BIOGENIC AND ATMOSPHERIC CO2)

8.1 Introduction

8.1.1 The DEA will for a given year of operation calculate whether the Forecast Total Carbon Credit Income exceeds the Baseline Total Carbon Credit Income adjusted in accordance with clause 5.3. The determination and calculation of a potential deduction regarding excess Carbon Credit income will be applicable for all quarters of the given year and a potential deduction will apply with the same value for each quarter in the calculation of the Subsidy Rate. This entails that the DEA will calculate one Subsidy Rate applicable for the given year, unless four individual Subsidy Rates for the given year is required due to deductions in accordance with clause 7 or clause 9.

8.1.2 The DEA's calculation of the Carbon Credit Income as set out in the clauses below will apply regardless of whether the Operator issues the Carbon Credits or the Operator bases the performance of the Contract on a Sup-Supplier that issues the Carbon Credits.

8.2 Calculation of provisional excess Carbon Credit income per tonne

8.2.1 If the Forecast Total Carbon Credit Income in the given year exceeds the index-adjusted Baseline Total Carbon Credit Income of the given year, a deduction shall apply for the calculation of the Subsidy Rate, see clause 8.3.1. In order to determine the size of the deduction per tonne CO2, the DEA will calculate a provisional excess Carbon Credit Income per tonne by subtracting the value of the index-adjusted Baseline Total Carbon Credit Income in the given year from the Forecast Total Carbon Credit Income in the given year and dividing the sum with the Annual Forecast Quantity of the given year as follows:

$$Excess\_income_{CarbonCredits} = \frac{(I_{CC}^{forecast} - I_{CC_t}^{baseline})}{Q^{forecast}}$$

$I_{CC}^{forecast}$ is the Forecast Total Carbon Credit Income (total income in DKK).

$I_{CC_t}^{baseline}$ is the Baseline Total Carbon Credit Income (total income in DKK). The $_t$ denotes that the value adjusted in accordance with clause 5.3 for the given year.

$Q^{forecast}$ is the Annual Forecast Quantity (tonnes of CO_2)

8.3 **Determination and calculation of Subsidy Rate deduction**

8.3.1 If the Forecast Total Carbon Credit Income in the given year exceeds the index-adjusted Baseline Total Carbon Credit Income of the given year a deduction of an amount equal to 90 % of the value of the provisional excess Carbon Credit income per tonne shall be applied in the calculation of the Subsidy Rate as set out in the applicable formula in clause 3.6

8.3.2 If the Forecast Total Carbon Credit Income is equal to or less than the index-adjusted Baseline Total Carbon Credit Income, then no deduction regarding Carbon Credit Income then no deduction regarding Carbon Credit income shall apply and the DEA shall set the value of $\boldsymbol{Excess\_income_{CarbonCredits}}$ (i.e. the provisional excess Carbon Credit Income per tonne) at 0 (i.e. zero) when calculating the Subsidy Rate as set out in the applicable formula in clause 3.6.

9. DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING OTHER ALLOWANCES SAVINGS (BIOGENIC AND ATMOSPHERIC CO2)

9.1 **Introduction**

9.1.1 Future legislation may entail that participation in the EU Emissions Trading Scheme (ETS), or a similar EU-mandated trading scheme, becomes either:

a) **mandatory** for emitters of Biogenic CO_2. If such legislation is enacted and the Operator (or a Sub-Supplier that the Operator bases the performance of the contract on) is obligated to participate in the ETS, and the preconditions in clauses 9.2.1 are met, then any savings related to allowances under such a scheme shall be included in the DEA's calculation of the Subsidy Rate, see clause 9.5.

<u>or;</u>

b) **voluntary** for emitters of Biogenic CO2 and for Operators capturing Atmospheric CO_2. If such legislation is enacted and the Operator (or another entity that the Operator bases the performance of the contract on) chooses to participate in the ETS, and the preconditions in clause 9.3.1 are met, 90 % of any savings related to allowances under such a scheme shall be included in the DEA's calculation of the Subsidy Rate, see clause 9.6.

9.1.2 The inclusion into the ETS may negatively affect the Carbon Credit income in the given year. The DEA shall, if applicable, take such negative impact into account when determining and calculating a deduction for the given year, see clauses 9.4 - 9.6.

9.1.3 For Operators Storing Biogenic and/or Atmospheric CO2 subject to such allowances, the DEA shall calculate the Operator's savings before the end of each quarter. This entails that the DEA shall calculate a total of four individual Subsidy Rates in a given year.

9.2 **Preconditions for including allowances savings if participation in the ETS becomes <u>mandatory</u> (Biogenic CO_2)**

9.2.1 If future legislation entails that participation in the EU Emissions Trading Scheme (ETS), or a similar EU-mandated trading scheme, becomes mandatory for emitters of Biogenic CO_2, the DEA shall include any savings related to allowances under such a scheme in the calculation of the Subsidy Rate, if:

(a) The emission of Biogenic CO_2 from the point source that the Carbon Capture Plant encompassed by the Contract is based on will require allowances that are transferable, and that can either be awarded to the Operator or purchased by the Operator (or another entity that the Operator bases the performance of the Contract on); and

(b) The Storage of CO_2 under the Contract consequently can result in a reduced cost from not having to purchase necessary allowances, or an income from being able to sell surplus allowances generated by the Storage of Delivered Quantity.

9.3 **Preconditions for including allowances savings if participation in the ETS becomes <u>voluntary</u> (Biogenic and Atmospheric CO_2)**

9.3.1 If future legislation entails that participation in the Emissions Trading Scheme (ETS), or a similar EU-mandated trading scheme, becomes voluntary for emitters of Biogenic CO_2 and operators capturing Atmospheric CO_2, the DEA shall include any savings related to allowances under such a scheme in the calculation of the Subsidy Rate, if:

(a) The Storage of CO_2 under the Contract can generate allowances that are transferable; and

(b) The Operator (or another entity that the Operator bases the performance of the contract on) sells or expects to sell allowances under the ETS or similar EU-mandated trading scheme pertaining to the performance to the performance of the contract; and

(c) The Storage of CO2 under the Contract consequently can result in a reduced cost, or an income generated by the Storage of Delivered Quantity.

9.4 **Calculation of the provisional biogenic allowances savings, provisional atmospheric allowances savings & the provisional decreased Carbon Credit income per tonne**

9.4.1 In order to determine whether a deduction regarding biogenic allowances and/or atmospheric allowances shall apply for the calculation of the Subsidy Rate for a given invoicing period, see clause 9.5 and 9.6, the DEA shall calculate the provisional biogenic allowances savings per tonne, see clause 9.4.2, and/or the provisional atmospheric allowances savings per tonne, see clause 9.4.3 and provisional decreased Carbon Credit income per tonne, see clause 9.4.4.

9.4.2 The DEA shall calculate the provisional biogenic allowances savings by multiplying the Forecast Biogenic Allowances Fraction for the given year with the market value of biogenic allowances in the given quarter, see clause 6.1.3, as follows:

$$Savings^{provisional}_{biogenicAllowances} = (f^{forecast}_{bioCO2} \cdot A^{MV}_{bioCO2_q})$$

$Savings^{provisional}_{biogenicAllowances}$ is provisional biogenic allowances savings (DKK/tonne).

$f^{forecast}_{bioCO2}$ is Forecast Biogenic Allowances Fraction (percentage)

$A^{MV}_{bioCO2_q}$ is market value biogenic allowances (DKK/tonne). The $_q$ denotes that it is the average market value of biogenic allowances in a given quarter.

9.4.3 The DEA shall calculate the provisional atmospheric allowances savings in the same manner as set out in clause 9.4.2 by using the Forecast Atmospheric Allowances Fraction for the given year and the market value atmospheric allowances of the given quarter, see clause 6.1.3.

9.4.4 If the Forecast Total Carbon Credit Income in the given year is less than the index-adjusted Baseline Total Carbon Credit Income of the given year, adjusted in accordance with clause 5.3, then a deduction regarding biogenic and/or atmospheric allowances shall be offset by the decrease in Carbon Credit income in the given year, as set out in the formula in clause 3.8 and clause 3.9.

In order to determine the size of this offset per tonne CO_2, the DEA shall calculate a provisional decreased Carbon Credit Income per tonne by subtracting the value of the index-adjusted Baseline Total Carbon Credit Income in the given year from the Forecast Total Carbon Credit Income in the given year and subsequently dividing the sum with the Annual Forecast Quantity of the given year, i.e. as follows:

$$Decreased_{income_{CarbonCredits}} = \frac{\left(I_{CC}^{forecast} - I_{CC_t}^{baseline}\right)}{Q^{forecast}}$$

$I_{CC}^{forecast}$ is the Forecast Total Carbon Credit Income (total income in DKK).

$I_{CC_t}^{baseline}$ is the Baseline Total Carbon Credit Income (total income in DKK). The $_t$ denotes that the value is adjusted in accordance with 5.3 for the given year.

$Q^{forecast}$ is the Annual Forecast Quantity (tonnes of CO_2)

9.4.5 If the Operator has not specified a Baseline Total Carbon Credit Income for the given year, or if the Forecast Total Carbon Credit Income for the given year remain equal to or is higher than the index-adjusted Baseline Total Carbon Credit Income of the given year (see clause 8), then the value of $Decreased\_income_{CarbonCredits}$ shall be set as 0 (i.e. zero) when performing the calculation in clause 9.5 and 9.6 and when calculating the Subsidy Rate as set out in the applicable formulae in either clause 3.6.2 or clause 3.6.3. ..

9.5 **Determination of Subsidy Rate deduction if participation in the ETS becomes <u>mandatory</u> (Biogenic CO_2)**

9.5.1 If the sum of $S_{bioall}^{provisional}$ and $Decreased\_income_{CarbonCredits}$ (i.e. $S_{bioall}^{provisional} + Decreased\_income_{CarbonCredits}$) is strictly positive (i.e. larger than zero), a deduction of an amount equal to the sum shall be applied in the calculation of the Subsidy Rate as set out in the formula in clause 3.6.2.

9.5.2 If the sum of $S_{bioall}^{provisional}$ and $Decreased\_income_{CarbonCredits}$ is 0 (i.e. zero) or negative then no deduction regarding biogenic allowances savings shall apply and the DEA shall set the sum of S_{bioall} and $Decreased\_income_{CarbonCredits}$ to 0 (i.e. zero) when calculating the Subsidy Rate as set out in formula in clause 3.6.2.

9.6 **Determination of a Subsidy Rate deduction if participation in the ETS becomes <u>voluntary</u> (Biogenic and Atmospheric CO_2)**

9.6.1 If the sum of $S_{bioall}^{provisional}$ and $Decreased\_income_{CarbonCredits}$ (i.e. $S_{bioall}^{provisional} + Decreased\_income_{CarbonCredits}$) is strictly positive (i.e. larger than zero), a deduction of an amount equal to 90 % of the sum of $S_{bioall}^{provisional}$ and $Decreased\_income_{CarbonCredits}$, shall be applied in the calculation of the Subsidy Rate as set out in the formula in clause 3.6.3.

9.6.2 If the sum of $S_{bioall}^{provisional}$ and $Decreased\_income_{CarbonCredits}$ is 0 (i.e. zero) or negative then no deduction regarding biogenic allowances savings shall apply and the DEA shall set the sum of S_{bioall} and $Decreased\_income_{CarbonCredits}$ to 0 (i.e. zero) when calculating the Subsidy Rate as set out in the formula in clause 3.6.3.

10. VARIABLES & PARAMETERS USED FOR ANNUAL SETTLEMENT

10.1.1 In clause 11, the DEA's calculations in connection with the Annual Settlement are described in detail. In order to provide an overview of the variables and parameters used in this regard, the table in clause 10.1.3 has been compiled

10.1.2 The variables and parameters that are used in connection with the Annual Settlement are based on data and information from: 1) Appendix 6, Offered Rate, Contracted Quantity & baselines, 2) the Operator's invoices for the given year, and 3) the Annual Report on the Delivered Quantity for the given year, see R-8 in Appendix 3, Requirements specification.

10.1.3 A complete overview of the variables and parameters used in connection with the Annual Settlement is found in the table below:

Variable/parameter	Mathematical expression	Unit	Source
Actual atmospheric Allowances Fraction	f_{dacall}^{actual}	Pct.	Operator's Annual Report
Actual atmospheric allowances savings per tonne	S_{dacall}^{actual}	DKK/tonne	DEA calculation
Actual Biogenic Allowances Fraction	f_{bioall}^{actual}	Pct.	Operator's Annual Report
Actual biogenic allowances savings per tonne	S_{dacall}^{actual}	DKK/tonne	DEA calculation

Actual EUA savings per tonne	S_{EUA}^{actual}	DKK/Tonne	DEA calculation
Actual excess Carbon Credit income per tonne	$Excess\_income_{CarbonCredits}$	DKK/Tonne	DEA calculation
Actual Fossil EUA Fraction	f_{EUA}^{actual}	Pct.	Operator's Annual Report
Actual tax savings per tonne	S_{tax}^{actual}	DKK/Tonne	DEA Calculation
Actual Total Carbon Credit Income	I_{CC}^{actual}	Total income in DKK	Operator's Annual Report
Actual Total Tax Savings	$S_{total_{tax}}^{actual}$	Total income in DKK	Operator's Annual Report
Baseline EUA Savings Per Tonne	$S_{EUA}^{baseline}$	DKK/tonne	Appendix 6
Baseline Fossil EUA Fraction	$f_{EUA}^{baseline}$	Pct.	Appendix 6
Baseline Tax Savings Per Tonne	$S_{tax}^{baseline}$	DKK/tonne	Appendix 6
Baseline Total Carbon Credit Income	$I_{CC}^{baseline}$	Total income in DKK	Appendix 6
Baseline Total Tax Savings	$S_{total_{tax}}^{baseline}$	Total income in DKK	Appendix 6
Invoiced amount	Inv^{amount}	Total amount in DKK	Operator's invoice
Invoiced Quantity	$Q^{Invoice}$	Tonnes of CO_2	Operator's invoice
Verified Delivered Quantity	$Q^{verified}$	Tonnes of CO_2	Operator's Annual Report
Weighted market value atmospheric allowances	$A_{dacCO2}^{MV_w}$	DKK/tonne	DEA calculation
Weighted market value biogenic allowances	$A_{bioCO2}^{MV_w}$	DKK/tonne	DEA calculation
Weighted market value EUA	$p_{EUA}^{MV_w}$	DKK/tonne	DEA calculation
Weighted provisional atmospheric allowances savings	$S_{dacall}^{provisional_w}$	DKK/tonne	DEA calculation
Weighted provisional biogenic allowances savings	$S_{bioall}^{provisional_w}$	DKK/tonne	DEA calculation

11. ANNUAL SETTLEMENT

11.1 Introduction

11.1.1 The purpose of the Annual Settlement is to calculate whether excess subsidy has been paid to the Operator in a given year by calculating the Actual Subsidy based on the Verified Delivered Quantity and, if applicable, the Actual Subsidy Rate as further set out in clause 11.

11.1.2 If the result of the Annual Settlement shows that excess Subsidy has been paid to the Operator in a given year, the Operator shall repay the excess amount.

11.1.3 Repayment of the subsidy will fall due for payment thirty (30) Days from the date the Operator has received the DEA's calculation of the repayment claim. The DEA may at its sole discretion choose to receive the payment by offsetting in the subsequent payment of Subsidy.

11.1.4 The outcome of the Annual Settlement cannot result in an obligation for the DEA to pay further subsidy for a given year.

11.1.5 The Annual Settlement will be performed in accordance with the following three steps, each of which are described in detail in the clauses as specified below:

- Step 1: Assessing the need for calculating an Actual Subsidy Rate, see clause 11.2.
- Step 2: Calculation of the Actual Subsidy Rate, see clause 11.3.
- Step 3: Calculation of Actual Subsidy, see clause 11.4.

11.2 Assessing the need for calculating an Actual Subsidy Rate (step 1)

11.2.1 The DEA will only calculate an Actual Subsidy Rate in accordance with step 2 if one or more of the following circumstances occur in a given year:

- If the Actual Fossil EUA Fraction exceeds the Baseline Fossil EUA Fraction; and/or
- If the Actual Total Tax Savings exceed the Baseline Total Tax Savings adjusted in accordance with clause 5.4; and/or

- If the Actual Total Carbon Credit Income exceeds the Baseline Total Carbon Credit Income adjusted in accordance with clause 5.3; and/or

- If the Actual Atmospheric Allowances Fraction exceeds the Forecast Atmospheric Allowances Fraction; and/or

- If the Actual Biogenic Allowances Fraction exceeds the Forecast Biogenic Allowances Fraction

11.2.2 If none of the circumstances listed in clause 11.2.1 above occur, then the DEA will not calculate an Actual Subsidy Rate for the given year. This means that step 2, i.e. clause 11.3, will not be relevant for the Operator. However, step 3 will remain relevant for the Operator, see clause 11.4.

11.3 **Calculation of the Actual Subsidy Rate (step 2)**

11.3.1 **Introduction**

11.3.1.1 The Actual Subsidy Rate will be based on the Operator's Offered Rate, adjusted in accordance with clause 5.2 for the given year, and subject to the deductions as set out in clause 11.3.2 , 11.3.3 and clause 11.3.4.

11.3.1.1 The Actual Subsidy Rate cannot exceed the value of the Offered Rate adjusted in accordance with clause 5.2 for the given year

11.3.1.2 The Actual Subsidy Rate is calculated on the basis on the formulae for calculation of the Subsidy Rate, see clause 3.6 but based on the Annual Report on the Delivered Quantity, see clause 11.3.1.3, clause 11.3.1.4 and clause 11.3.1.5 below.

11.3.1.3 The DEA's calculation of the Actual Subsidy Rate will be made as follows, however, see clause 11.3.1.4 and 1.3.1.5:

$$Actual\ Subsidy\ Rate = Offered\ Rate_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot Excess\_income_{CarbonCredits}$$

Where:

$Offered\ Rate_t$ is the Offered Rate. The $_t$ denotes that the value is adjusted in accordance with clause 5.2 for a given year.

$\Delta Savings_{EUA}$ is the difference (increase or decrease) in the actual EUA savings per tonne CO2 compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 11.3.2.

$\Delta Savings_{tax}$ is the difference (increase or decrease) in the actual CO2-related tax savings per tonne CO2 compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 11.3.2.

$Excess\_income_{CarbonCredits}$ is the increase in the Operator's excess income related to Carbon Credits per tonne, see clause 11.3.3.

Some of the values may be set at 0 (i.e. zero) by the DEA in accordance with clauses 11.3.2 and 11.3.3.

11.3.1.4 If future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, becomes mandatory for emitters of Biogenic CO2, and under the preconditions in clause 9.2, then any savings related to allowances under such a scheme shall be included in the calculation of the Actual Subsidy Rate, taking any decreased Carbon Credit income for the given year into account.

In this case, the Actual Subsidy Rate will be calculated as follows:

$$\text{Actual Subsidy Rate} = Offered\ Rate_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot Excess_{income_{CarbonCredits}} - (Savings_{BiogenicAllowances} + decreased\_income_{CarbonCredits})$$

Where:

$Offered\ Rate_t$ is the Offered Rate. The $_t$ denotes that the value is adjusted in accordance with clause 5.2 for a given year.

$\Delta Savings_{EUA}$ is the difference (increase or decrease) in the actual EUA savings per tonne CO2 compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 11.3.2.

$\Delta Savings_{tax}$ is the difference (increase or decrease) in the actual CO2-related tax savings per tonne CO2 compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 11.3.2.

$Excess\_income_{CarbonCredits}$ is the increase in the Operator's excess income related to Carbon Credits per tonne, see clause 11.3.3.

$Savings_{BiogenicAllowances}$ is the achieved savings per tonne CO2 in case participation in the ETS becomes mandatory, see clause 11.3.4.

$decreased\_income_{CarbonCredits}$ is the potential decrease in the Operator's Carbon Credit income and will be either a negative value or zero (i.e. cannot be positive), see clause 11.3.4..

Some of the values may be set at 0 (i.e. zero) by the DEA in accordance with clauses 11.3.2 and 11.3.3 and 11.3.3.

11.3.1.5 If future legislation entails that participation in the EU Emissions Trade Scheme (ETS), or a similar EU-mandated trade scheme, becomes voluntary for emitters of Biogenic CO2 and operators capturing Atmospheric CO2, and under the preconditions in clause 9.3, then 90 % of the total savings related to allowances under such a scheme shall be included in the DEA's calculation of the Actual Subsidy Rate, taking any decreased Carbon Credit income for the given year into account. In this case, the calculation of the Subsidy Rate will therefore be made as follows:

$$\text{Actual Subsidy Rate} = Offered\ Rate_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot Excess_{income_{CarbonCredits}} - 0.9 \cdot (Savings_{BiogenicAllowances} + decreased\_income_{CarbonCredits})$$

Where:

$Offered\ Rate_t$ is the Offered Rate. The $_t$ denotes that the value is adjusted in accordance with clause 5.2 for a given year.

$\Delta Savings_{EUA}$ is the difference (increase or decrease) in the actual EUA savings per tonne CO2 compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 11.3.2.

$\Delta Savings_{tax}$ is the difference (increase or decrease) in the actual CO2-related tax savings per tonne CO2 compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 11.3.2.

$Excess\_income_{CarbonCredits}$ is the increase in the Operator's excess income related to Carbon Credits per tonne, see clause 11.3.3.

$Savings_{BiogenicAllowances}$ is the achieved savings per tonne CO2 in case participation in the ETS becomes voluntary, see clause 11.3.4..

$decreased\_income_{CarbonCredits}$ is the potential decrease in the Operator's Carbon Credit income and will be either a negative value or zero (i.e. cannot be positive), see clause 11.3.4..

Some of the values may be set at 0 (i.e. zero) by the DEA in accordance with clauses 11.3.2 and 11.3.3 and 11.3.3.

11.3.2 **Determination and calculation of Actual Subsidy Rate deduction regarding total EUA savings and CO2-related tax savings (Fossil CO2)**

11.3.2.1 If the total sum of actual EUA savings per tonne and actual tax savings per tonne exceeds the total sum of the Baseline EUA Savings Per Tonne (adjusted in accordance with 5.3) and Baseline Tax Savings Per Tonne (adjusted in accordance with 5.4), a deduction of an amount equal to the sum shall apply for the calculation of the Actual Subsidy Rate, see clause 11.3.2.6.

11.3.2.2 In order to determine whether this is the case, the DEA will first calculate the:

- weighted market value EUA, see clause 11.3.2.3; and
- actual EUA savings per tonne, see clause 11.3.2.4; and
- actual tax savings per tonne see clause 11.3.2.5.

11.3.2.3 <u>Calculation of weighted market value EUA</u>

For each quarter in the given year, the DEA has calculated a Subsidy Rate deduction based on the difference between the provisional EUA savings per tonne and the index-adjusted Baseline EUA Savings Per Tonne see clause 7. Each quarterly calculation of the provisional EUA savings per tonne was based on an average market value of EUA in the given quarter, see clause 6.1.3.

For the purpose of calculating the actual EUA savings per tonne, the DEA will calculate a weighted average market value of EUA for the given year ("weighted market value EUA") based on the market value of EUA for each quarter of the given year and the Invoiced Quantities. This is done

to ensure that any variation in the Invoiced Quantities during a given year will be taken into account when calculating the actual EUA savings per tonne.

The weighted market value EUA will be calculated by assigning a weight to the market value of EUA for each quarter of the given year. Each weight will be equal to the proportional value of the Invoiced Quantity for the corresponding quarter relative to the total Invoiced Quantities in the given year (i.e. the sum of the Operator's Invoiced Quantity for Q1, Q2, Q3 and Q4).

For example: An Operator has during a given year submitted four Invoice Quantities, totaling 500.000 tonnes of CO2. In Q1 the Operator has specified an Invoiced Quantity of 150.000. This constitutes 30 % of the total Invoiced Quantities for the given year. This entails that the market value EUA for the first quarter will be assigned a weight of 30 %.

Thus, the DEA will perform the calculation of the weighted market value EUA as follows:

$$p_{EUA}^{MV_w} = \left(w_{q1} \cdot p_{EUA_{q1}}^{MV}\right) + \left(w_{q2} \cdot p_{EUA_{q2}}^{MV}\right) + \left(w_{q3} \cdot p_{EUA_{q3}}^{MV}\right) + \left(w_{q4} \cdot p_{EUA_{q4}}^{MV}\right)$$

$p_{EUA}^{MV_w}$ is the weighted average market value EUA for a given year (DKK/tonne).

$p_{EUA_q}^{MV}$ is the market value EUA for a given quarter (DKK/tonne).

w_q is the weight for a given quarter based on the proportional value of the Invoiced Quantity for the corresponding quarter relative to the total Invoiced Quantity in the given year.

11.3.2.4 Calculation of actual EUA savings per tonne

The DEA will calculate the actual EUA savings per tonne by multiplying the Actual Fossil EUA Fraction for the given year with the weighted market value EUA for the given year as follows:

$$S_{EUA}^{actual} = f_{EUA}^{actual} \cdot p_{EUA}^{MV_w}$$

S_{EUA}^{actual} is the actual EUA savings per tonne (DKK/tonne).

f_{EUA}^{actual} is the Actual Fossil EUA Fraction (percentage).

$p_{EUA}^{MV_w}$ is the weighted average market value EUA for a given year (DKK/tonne) calculated as set out in clause 11.3.2.3.

11.3.2.5 Calculation of the actual tax savings per tonne

The DEA will calculate the actual tax savings per tonne by dividing the Actual Total Tax Savings for the given year with the Verified Delivered Quantity for the given year as follows:

$$S_{tax}^{actual} = \frac{S_{total_{tax}}^{actual}}{Q^{verified}}$$

S_{tax}^{actual} is the actual tax savings per tonne (DKK/tonne).
$Q^{verified}$ is the Verified Delivered Quantity (tonnes of CO_2).
$S_{total_{tax}}^{actual}$ is the Actual Total Tax Savings (total income in DKK).

11.3.2.6 Determination of potential Subsidy Rate deduction

If the total sum of actual EUA savings per tonne and actual tax savings per tonne exceeds the total sum of the index-adjusted Baseline EUA Savings Per Tonne and index-adjusted Baseline Tax Savings Per Tonne, a deduction of an amount equal to the sum shall apply for the calculation of the Actual Subsidy Rate.

This means that the DEA will calculate the following:

The difference between actual EUA savings per tonne and the index-adjusted Baseline EUA Savings Per Tonne:

$$\Delta S_{EUA} = S_{EUA}^{actual} - S_{EUA_t}^{baseline}$$

$S_{EUA_t}^{baseline}$ is Baseline EUA Savings Per Tonne (DKK/Tonne). The $_t$ denotes that the value is adjusted in accordance with clause 5.3 for the given year.

And

The difference between the actual tax savings per tonne and the index-adjusted Baseline Tax Savings Per Tonne:

$$\Delta S_{tax} = S_{tax}^{actual} - S_{tax_t}^{baseline}$$

$S_{Tax_t}^{baseline}$ is Baseline TAX Savings Per Tonne (DKK/Tonne). The $_t$ denotes that the value is adjusted in accordance with clause 5.4 for the given year.

If the sum of ΔS_{EUA} and ΔS_{tax} (i.e. $\Delta S_{EUA} + \Delta S_{tax}$) in is strictly positive (i.e. larger than zero), a deduction of an amount equal to the sum shall be applied in the calculation of the Actual Subsidy Rate as set out in the formulae in clause 11.3.1.3 or, if applicable due to future legislation, either clause 11.3.1.4 or 11.3.1.5.

If the sum of ΔS_{EUA} and ΔS_{tax} (i.e. $\Delta S_{EUA} + \Delta S_{tax}$) is 0 (i.e. zero) or negative, then no deduction regarding EUA savings and CO_2-related Tax Savings shall apply and the DEA shall set to the value of the sum at 0 (i.e. zero) when calculating the Actual Subsidy Rate as set out in the formulae in clause 11.3.1.3 or, if applicable due to future legislation, either clause 11.3.1.4 or 11.3.1.5.

11.3.3 **Determination and calculation of Actual Subsidy Rate deduction regarding excess Carbon Credit income (Biogenic and Atmospheric CO2)**

11.3.3.1 If the Actual Total Carbon Credit Income exceeds the index-adjusted Baseline Total Carbon Credit Income, a deduction of an amount equal to 90 % of the excess Carbon Credit Income shall be applied in the calculation of the Actual Subsidy Rate as set out in the formulae in clause 11.3.1.3 or, if applicable due to future legislation, either clause 11.3.1.4 or 11.3.1.5.

11.3.3.2 In order to determine the size of the deduction, the DEA will calculate an actual excess Carbon Credit income per tonne by subtracting the value of the index-adjusted Baseline Total Carbon Credit Income in the given year from the Actual Total Carbon Credit Income in the given year and subsequently dividing the sum with the Verified delivered Quantity of the given year as follows:

$$Excess_{income_{CarbonCredits}} = \frac{(I_{CC}^{actual} - I_{CC_t}^{baseline})}{Q^{verified}}$$

I_{CC}^{actual} is the Actual Total Carbon Credit Income (total income in DKK).

$I_{CC_t}^{baseline}$ is the Baseline Total Carbon Credit Income (total income in DKK). The $_t$ denotes that the value is adjusted in accordance with clause 5.3 for the given year.

$Q^{verified}$ is the Verified Delivered Quantity (tonnes CO_2).

11.3.3.3 If the Operator's Actual Total Carbon Credit Income is equal to or less than the index-adjusted Baseline Total Carbon Credit Income, then no deduction regarding Carbon Credit income shall apply and the DEA shall set the value of $\boldsymbol{Excess\_income_{CarbonCredits}}$ (i.e. the actual excess Carbon Credit Income per tonne) to 0 (i.e. zero) when calculating the Actual Subsidy Rate as set

out in the formulae in clause 11.3.1.3 or, if applicable due to future legislation, either clause 11.3.1.4 or 11.3.1.5..

11.3.4 **Determination and Calculation of Subsidy Rate deduction regarding other allowances savings (Biogenic and Atmospheric CO2)**

11.3.4.1 In order to determine whether a deduction shall apply for the calculation of the Actual Subsidy Rate, see clauses 11.3.4.5 and 11.3.4.6, the DEA will first calculate the:

- weighted market value biogenic allowances (weighted market value atmospheric allowances), see clause 11.3.4.2; and
- actual biogenic allowances savings per tonne, see clause 11.3.4.3; and
- actual decreased Carbon Credit income per tonne, see clause 11.3.4.4.

11.3.4.2 Calculation of weighted market value biogenic allowances (weighted market value atmospheric allowances)

For the purpose of calculating the actual biogenic allowances savings per tonne, the DEA will calculate a weighted average market value of biogenic allowances for the given year ("weighted market value biogenic allowances") based on the market value of biogenic allowances for each quarter of the given year and the Invoiced Quantities for the given year. This is done to ensure that any variation in the Invoiced Quantities during a given year will be taken into account when calculating the actual biogenic allowances savings per tonne.

The weighted market value biogenic allowances will be calculated by assigning a weight to the market value of biogenic allowances for each quarter of the given year. Each weight will be equal to the proportional value of the Invoiced Quantity for the corresponding quarter relative to the total Invoiced Quantities in the given year (i.e. the sum of the Operator's Invoiced Quantity for Q1, Q2, Q3 and Q4)

For example: An Operator has during a given year submitted four Invoice Quantities, totaling 500.000 tonnes of CO2. In Q1 the Operator has specified an Invoiced Quantity of 150.000. This constitutes 30 % of the total Invoiced Quantities for the given year. This entails that the market value biogenic allowances for the first quarter will be assigned a weight of 30 %.

Thus, the DEA will perform the calculation of the weighted market value EUA as follows:

$$A_{bioCO2}^{MV_w} = \left(w_{q1} \cdot A_{bioCO2_{q1}}^{MV_w}\right) + \left(w_{q2} \cdot A_{bioCO2_{q2}}^{MV_w}\right) + \left(w_{q3} \cdot A_{bioCO2_{q3}}^{MV_w}\right) + \left(w_{q4} \cdot A_{bioCO2_{q4}}^{MV_w}\right)$$

$A_{bioCO2}^{MV_w}$ is the weighted market value for a given year (DKK/tonne).

$p_{bioCO2_q}^{MV}$ is the market value biogenic allowances for a given quarter (DKK/tonne).

w_q is the weight for a given quarter based on the proportional value of the Invoiced Quantity for the corresponding quarter relative to the total Invoiced Quantity in the given year.

The calculation of a weighted average market value of atmospheric allowances for the given year ("weighted market value atmospheric allowances") will be calculated in the same manner as described in this clause, using the market value of atmospheric allowances for each quarter of the given year.

11.3.4.3 Calculation of actual biogenic allowances savings per tonne

The DEA will calculate the actual biogenic allowances savings per tonne by multiplying the Actual Biogenic Allowances Fraction for the given year with the weighted market value of biogenic allowances as follows:

$$S_{bioall}^{actual} = (f_{bioCO2}^{actual} \cdot A_{bioCO2}^{MV_w})$$

S_{bioall}^{actual} is actual biogenic allowances savings per tonne (DKK/tonne).

f_{bioCO2}^{actual} is Actual Biogenic Allowances Fraction (percentage)

$A_{bioCO2}^{MV_w}$ is the weighted market value biogenic allowances for a given year (DKK/tonne) calculated as set out in clause 11.3.4.2.

The actual atmospheric allowances savings per tonne shall be calculated in the same manner as described in this clause using the Actual Atmospheric Allowances Fraction for the given year and weighted market value atmospheric allowances for the given year instead.

11.3.4.4 Calculating actual decreased Carbon Credit income Per Tonne

The DEA will calculate the actual decreased Carbon Credit income per tonne as follows:

$$Decreased\_income_{CarbonCredits} = \frac{(I_{CC}^{actual} - I_{CC_t}^{baseline})}{Q^{verified}}$$

I_{CC}^{actual} is the Actual Total Carbon Cedit Income (total income in DKK).

$I_{CC_t}^{baseline}$ is the Baseline Total Carbon Credit Income (total income in DKK). The $_t$ denotes that the value is adjusted in accordance with clause 5.3 for the given year.

$Q^{verified}$ is the Verified Delivered Quantity (tonnes CO_2)

If the Operator has not specified a Baseline Total Carbon Credit Income for the given year, or if the Actual Total Carbon Credit Income for the given year remain equal to or is higher than the index-adjusted Baseline Total Carbon Credit Income of the given year (see clause 11.3.3), then the value of $Decreased\_income_{CarbonCredits}$ will be set at 0 (i.e. zero) when performing the calculation in clause 11.3.4.5 and clause 11.3.4.6 and when calculating the Actual Subsidy Rate as set out in either clause 11.3.1.4 or 11.3.1.5.

11.3.4.5 Determination of Actual Subsidy Rate deduction if participation in the ETS becomes mandatory (Biogenic CO2)

If the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$ (i.e. $S_{bioall}^{actual} + Decreased\_income_{CarbonCredits}$) is strictly positive (i.e. larger than zero), a deduction of an amount equal to the sum shall be applied in the calculation of the Actual Subsidy Rate when calculating the Actual Subsidy Rate as set out in the formulae in either clause 11.3.1.4 or 11.3.1.5.

If the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$ is negative, then no deduction shall apply and the DEA shall set the value of the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$ at 0 (i.e. zero) when calculating the Actual Subsidy Rate as set out in the formulae in either clause 11.3.1.4 or 11.3.1.5.

11.3.4.6 Determination of Actual Subsidy Rate deduction if participation in the ETS becomes voluntary (Biogenic and Atmospheric CO2)

If the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$ (i.e. $S_{bioall}^{actual} + Decreased\_income_{CarbonCredits}$) is strictly positive (i.e. larger than zero), a deduction of an amount equal to 90 % of the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$, shall be applied in the calculation of the Actual Subsidy Rate when calculating the Actual Subsidy Rate as set out in the formulae in either clause 11.3.1.4 or 11.3.1.5.

If the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$ is negative, then no deduction shall apply and the DEA shall set the value of the sum of S_{bioall}^{actual} and $Decreased\_income_{CarbonCredits}$ at 0 (i.e. zero)

when calculating the Actual Subsidy Rate as set out in the formulae in when calculating the Actual Subsidy Rate as set out in the formulae in either clause 11.3.1.4 or 11.3.1.5.

11.4 **Calculation of Actual Subsidy (step 3)**

11.4.1 If an Actual Subsidy Rate has been calculated (i.e. step 2)

11.4.1.1 If the DEA has performed a calculation of an Actual Subsidy Rate (i.e. step 2 as set out in clause 11.3), then the calculation of whether the Operator has received excess subsidy will be performed in the following manner:

$$[\text{Sum}] = total\ invoiced\ Subsidy - Actual\ Subsidy$$

Where:

$$\text{Actual Subsidy} = Actual\ Subsidy\ Rate\ \cdot Q^{verified}$$

$Q^{verifed}$ is the Verified Delivered Quantity for the given year (tonnes CO_2)

And:

$$\text{total invoiced Subsidy} = Inv_{q1}^{amount} + Inv_{q2}^{amount} + Inv_{q3}^{amount} + Inv_{q4}^{amount}$$

$Inv_{q_t}^{amount}$ is the Operator's invoiced amount for a given quarter in the given year (total amount in DKK).

11.4.1.2 If the value [sum] calculated as set out in clause 11.4.1.1 is positive after performing the calculation this means that excess subsidy has been paid to the Operator for the given year and the Operator shall repay the excess amount (i.e. an amount equal to the [sum].If [sum] is negative after performing the calculation, then no excess subsidy has been paid to the Operator and the Operator shall not be entitled to further subsidy for the given year.

11.4.2 If an Actual Subsidy Rate has not been calculated

11.4.2.1 If the DEA has not performed a calculation of the Actual Subsidy Rate (i.e. if step 2 due to the circumstances has not been relevant, see clause 11.2), then the DEA will determine whether the Operator has received excess subsidy by first calculating a weighted Subsidy Rate as follows:

$$\text{weighted Subsidy Rate} = \frac{(Inv_{q1}^{amount} + Inv_{q2}^{amount} + Inv_{q3}^{amount} + Inv_{q4}^{amount})}{(Q_{q1}^{invoice} + Q_{q1}^{invoice} + Q_{q1}^{invoice} + Q_{q1}^{invoice})}$$

$Inv_{q_t}^{amount}$ is the Operator's invoiced amount for a given quarter in the given year (total amount in DKK).

$Q_{q_t}^{invoice}$ is the Invoiced Quantity of a given quarter in the given year (tonnes of CO_2)

11.4.2.2 The Actual Subsidy will then be determined by multiplying the weighted Subsidy Rate calculated as set out in clause 11.4.2.1 with the Verified Delivered Quantity for the given year as follows:

$$\text{Actual Subsidy} = weighted\ Subsidy\ Rate \cdot Q^{delivered}$$

$Q^{verifed}$ is the Verified Delivered Quantity for the given year (tonnes CO_2)

11.4.2.3 Finally, the Actual Subsidy will then be subtracted from the total Invoiced Subsidy as follows:

$$[\text{sum}] = \text{total invoiced } Subsidy - Actual\ subsidy$$

Where:

$$\text{total invoiced Subsidy} = Inv_{q1}^{amount} + Inv_{q2}^{amount} + Inv_{q3}^{amount} + Inv_{q4}^{amount}$$

$Inv_{q_t}^{amount}$ is the Operator's invoiced amount for a given quarter in a given year (total amount in DKK).

11.4.2.4 If the value [sum] calculated as set out in clause 11.4.2.3 is positive after performing the calculation this means that excess subsidy has been paid to the Operator for the given year and the Operator shall repay the excess amount. If the value [sum] is negative after performing the calculation, then no excess subsidy has been paid to the Operator and the Operator shall not be entitled to further subsidy for the given year.

12. OTHER REPAYMENT CLAIMS

12.1 Reimbursement of CO_2 Tax and/or Emission Tax

12.1.1 If the Danish Tax Agency concludes that the Operator has received an insufficient tax reimbursement regarding CO_2 Tax and/or Emission Tax with respect to the Verified Delivered Quantity in a given year, meaning that the Operator's total tax reimbursement for a given year exceeds the Actual Total Tax Savings for the given year, then the Operator has received excess subsidy, and the Operator shall repay the excess subsidy.

12.1.2 Repayment of any subsidy in relation to clause 12.1 will fall due for payment thirty (30) Days from the date the Operator has received the DEA's calculation of the repayment claim. The DEA may at

its sole discretion choose to receive the payment by offsetting in the subsequent payment of Subsidy.

12.2 **Compliance with applicable sustainability criteria for renewable energy production**

12.2.1 If the DEA concludes that the biomass input, from which the Operator's CO2 is captured and Stored in a given year, does not comply with the at any time applicable sustainability criteria for renewable energy production according to "Bekendtgørelse om bæredygtighed og besparelse af drivhusgasemissioner for biomassebrændsler og flydende biobrændsler til energiformål, m.v."("Bæredygtighedsbekendtgørelsen") [16] including later amendments hereof, then the Operator will be obliged to repayment subsidy as set out in this clause 12.2.

12.2.2 This applies in the event that the DEA either approves only parts or none of the given point source's biomass input from which the Operator's CO2 is captured and Stored in a given year or if the DEA concludes that the point source responsible for the use of the biomass from which the Operator's CO2 is captured and Stored in a given year will be subject to any applicable sanctions as set out in the penal provision of "Bæredygtighedsbekendtgørelsen" ***17*** for not complying with one or more of the sustainability criteria of "Bæredygtighedsbekendtgørelsen", including later amendments hereof.

12.2.3 If the DEA approves the given point source's used biomass from which the Operator's CO2 is captured and Stored in a given year without any reservations, the Operator will not be subject to a repayment claim. However, if the DEA withdraws the approval of the biomass input from which the Operator's CO2 is captured and Stored in a given year, the Operator will become subject to a repayment claim in accordance with clause 12.2.

12.2.4 The DEA's repayment claim will be based on a determination of the proportion (in tonnes) of the biomass input used by the given point source, which does not comply with the applicable sustainability criteria, in relation to the total biomass input (in tonnes) used by the given point source in the given year. This proportional value will be used to determine the proportion of the Operators Verified Delivered Quantity for the given year that shall be subject to the repayment claim.

The Operator shall, if requested by the DEA, provide the necessary information for performing this determination.

12.2.5 The proportion of the Operators Verified Delivered Quantity for the given year that shall be subject to the repayment claim will then be multiplied with the Operator's Actual Subsidy Rate, see clause

[16] Reference is made to Executive order no. 530 of 28/05/2024 (in Danish: "BEK nr. 530 af 28/05/2024").

[17] See § 38 of executive order no. 530 of 28/05/2024 (in Danish: "BEK nr. 530 af 28/05/2024").

11.3, if applicable, or weighted Subsidy Rate, see clause 11.4.2.1 , for the given year. The DEA's repayment claim will constitute an amount equal to the total of this calculation.

12.2.6 Repayment of any subsidy in relation to clauses 12.2 will fall due for payment thirty (30) Days from the date the Operator has received the DEA's calculation of the repayment claim. The DEA may at its sole discretion choose to receive the payment by offsetting in the subsequent payment of Subsidy.

13. PENALTIES

13.1 Non-performance regarding the Contracted Quantity

13.1.1 The Operator's non-performance with respect to the 2029 Quantity, if any, is not subject to Penalty. The Operator's non-performance with respect for the Annual Quantity shall be subject to Penalties as further set out in this clause 13.

13.1.2 In the event the Operator fails to capture and Store the Annual Quantity in the year 2030 or the Annual Quantity in the year 2031, the Operator's non-performance shall be subject to Penalty in accordance with the provisions set out in clause 13.3, unless the non-performance is exempt from Penalty in accordance with clause 13.2. If COD is postponed clause 13.1.3 shall apply.

13.1.3 If COD in accordance with the Contract, clause 10.2, has been postponed to a date in the year 2030, the Operator's non-performance with the Annual Quantity shall be subject to Penalty in a two (2) year period calculated from the date that COD has been postponed to in accordance with the provisions set out in clause 13.3, unless the non-performance is exempt from Penalty in accordance with clause 13.2. If the Annual Quantity, as a result of the postponement has been proportionally reduced in 2030, see the Contract, clause 10.2.4, the Operator's non-performance regarding the Annual Quantity in 2030 shall be assessed based on the reduced Annual Quantity for 2030. This clause applies mutatis mutandis where COD in accordance with the Contract clause 10.2 has been postponed to a date in the year 2031 or later year.

13.1.4 If the Operator is subject to both Penalties in accordance with this clause 13.3 and a termination fee in accordance with the Contract, clause 20.5.3, the total sum of the Penalties and termination fee, which the Operator shall be liable to pay may be limited as set out in the Contract, clause 20.5.3.

13.2 **Exemptions for non-performance regarding the Annual Quantity**

13.2.1 The Operator's non-performance of the obligation to deliver the Annual Quantity shall not be subject to Penalty to the extent that the Operator can document that the non-performance is caused by one of the following circumstances:

a) Force majeure, cf. the Contract, clause 23;

b) Demand reduction in the primary production leading to a reduced CO_2 generation from the source to a level which makes it impossible for the Operator to deliver the Contracted Quantity, provided that the demand reduction is not attributable to conduct of the Operator which significantly deviates from reasonable market practice;

c) Production or energy optimisation which leads to reduced CO_2 generation from the point source on which the performance of the Contract is based to a level which makes it impossible for the Operator to deliver the Annual Quantity; or

d) The Carbon Capture Plant and/or any other CCS installation, after COD, by public order issued by a public authority, with the necessary legal authority is ordered to reduce or temporally stop operation e.g. a public order in relation to the Carbon Capture Plant due to the stability of the electricity grid.

13.2.2 If the Operator considers that non-performance is caused by one of the circumstances mentioned in clause 13.2.1, and the Operator therefore considers it entitled to an exemption from Penalty, the Operator must notify the DEA of this in writing as soon as possible. The Operator must submit documentation that confirms that the non-performance has been caused by the circumstances claimed, and that the non-performance cannot be avoided or mitigated.

13.2.3 If the Operator can document that the non-performance is due to one of the circumstances above, the Operator will not be subject to Penalty for the quantity not delivered due to said circumstance(s).

13.2.4 The Operator shall not be entitled to any remuneration or compensation in case of the circumstances in clause 13.2.1, including, but not limited to, a situation where the Operator due to a public order as set out in clause 13.2.1, item d), is not able to capture and Store the Annual Quantity in accordance with the Contract and therefore not entitled to payment of Subsidy for the quantity of CO_2 not captured and Stored. In case of a partial delivery of the Annual Quantity, payment of the Delivered Quantity of CO_2 will be made in accordance with the provisions of this Appendix.

13.3 **Penalties related to the Annual Quantity**

13.3.1 The determination of whether the Operator is subject to Penalties in accordance with the provisions set out in this clause 13 shall be based on the information regarding the Verified Delivered Quantity for the given year in the Operator's Annual Report on the Delivered Quantity, see Appendix 3, Requirements specification, R-8, compared to the Annual Quantity for the given year specified in Appendix 6, Offered Rate and Contracted Quantity, or, if applicable according to the Contract, clause 10.2.4, the reduced Annual Quantity for the given year.

13.3.2 The Penalty shall constitute fifty percent (50%) of the Actual Subsidy Rate ½, if applicable, or weighted subsidy rate (clause 11.4.2.1) per tonne of CO_2 not delivered. The Penalty will be calculated as follows:

$$Penalty\ (Q^{verified}) = \frac{1}{2} \cdot p_{sr} \cdot (Q_A - Q^{verified})$$

$,where$
$Q^{verified}\ is\ the\ Verified\ Delivered\ Quantity,$
$p_{sr}\ is\ Actual\ Subsidy\ Rate, if\ applicable, or\ weighted\ subsidy\ rate\ per\ tonne\ of\ CO2\ not\ delivered.$
$Q_A\ is\ the\ Annual\ Quantity$

13.3.3 If incurred, the DEA will calculate Penalty, as part of the Annual Settlement, see clause 11, for the relevant years.

13.3.4 Payment of the Penalty will fall due for payment thirty (30) Days from the date the Operator has received the DEA's claim for payment with calculation of the Penalty. The DEA may at its sole discretion choose to receive the payment by offsetting by the DEA in a subsequent payment of Subsidy.