Danish Energy Agency

APPENDIX 6

SUBSIDY AND ECONOMY SCHEME

Contract on subsidy for carbon capture, transport, and storage

Danish Energy Agency

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Instructions for tenderers

This Appendix constitutes General Requirements in its entirety, cf. Tender specifications, paragraph 6.3.

The Tenderer 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.

1. Introduction

1.1.1 The terms regarding economy and subsidy in relation to the Contract are set out and regulated in this Appendix.

1.1.2 Capitalised terms used in this Appendix shall have the meaning ascribed to them in Appendix 2. In this Appendix, further terms are defined for the purpose of this Appendix only. Such terms are also capitalised and shall have the meaning ascribed to them in clause 2. Further, the most important definitions for this Appendix from Appendix 2 are listed below.

2. Definition Financial Terms

2.1.1 The Accumulated Production Balance means an accumulated balance calculated at year-end each year based on the difference between the Contracted Quantity and the Delivered Quantity for each year.

2.1.2 The Accumulated Production Balance Deficit means the quantity that the Operator fails to deliver in order for the Accumulated Production Balance to be zero (0) at the end of the year.

2.1.3 The Actual Fossil (EUA) Fraction means the proportion of the Delivered Quantity in a year which would have required EUA if not captured and stored.

2.1.4 The Adjusted Forecast CO_2 Related Tax Savings means the expected net tax savings from avoided CO_2 related taxes calculated by the Operator based on the Updated Annual Forecast Quantity and Updated Forecast Fossil (EUA) Fraction.

2.1.5 The Annual Forecast Quantity means the total quantity of CO_2 forecasted for a given year based on an annual forecast submitted by the Operator in accordance with R-18, Appendix 3, Requirements specification.

2.1.6 The Annual Subsidy Cap means the maximum annual payment based on the annual allocated funds as set out in clause 3.4 including VAT.

2.1.7 The Baseline Fossil (EUA) Fraction means the proportion of the Baseline Planned Quantity in a year which would have required EUA if not captured and stored. The Baseline Fossil (EUA) Fraction is stated by the Operator in Appendix 7, sheet "Cost and earnings break-down".

2.1.8 The Baseline Planned Quantity means the total quantity which the Operator plans to deliver in a given year and which is the basis for the Operator's business case. The Baseline Planned Quantity is stated by the Operator in Appendix 7, sheet "Cost and earnings break-down".

2.1.9 The Contracted Quantity means the quantity that the Operator is obliged to deliver in accordance with the Contract, i.e., the Ramp-up Quantity, if any, the Minimum Quantity and the Additional Quantity, if any. The Contracted Quantity for a given year means the total quantity that the Operator is obliged to deliver in a given year specified for each year in Appendix 7, sheet "Contracted Quantity".

2.1.10 The Delivered Quantity means the quantity of CO_2 permanently stored in accordance with the requirements in Appendix 3, Requirements specification in a given period.

2.1.11 The Forecast CO_2 Related Tax Savings means the expected net tax savings from avoided CO_2 related taxes forecasted by the Operator prior to each year of operation.

2.1.12 The Forecast Fossil (EUA) Fraction means the proportion of the Annual Forecast Quantity which would have required EUA if not captured and stored.

2.1.13 Fossil (EUA) CO_2 means fossil CO_2 ~~based on fossil fuel and~~ subject to EUA.

2.1.14 The Inflation Correction Factor (ICF) means a factor (%) used for inflation adjustment calculated in accordance with clause 3.3.

2.1.15 The Inflation Correction Factor for Upsides Adjustment (ICF Upsides Adjustment) means the factor (%) used for inflation adjustment in the calculation of the Upsides Adjusted Rate in accordance with clause 3.3.

2.1.16 The Offered Rate means the amount per tonne CO_2 offered by the Operator and stated by the Operator in Appendix 7, Subsidy and costs, sheet "Offered Rate".

2.1.17 The Preliminary Adjusted Settlement Rate means the amount per tonne CO_2 calculated by the DEA in accordance with clause 3.7.

2.1.18 The Settlement Rate means an amount per tonne calculated for each year in accordance with clause 3.5.

2.1.19 The Updated Forecast Fossil (EUA) Fraction means the proportion of the Updated Annual Forecast Quantity, which would have required EUA if not captured and stored.

2.1.20 The Updated Annual Forecast Quantity means the total quantity of CO_2 forecasted for a given year based on the total quantity and the composition of CO_2 in the Delivered Quantity for the first three quarters of the given year and a forecast for the last quarter of the year submitted by the Operator in accordance with R-18, Appendix 3, Requirements specification.

2.1.21 The Upsides Adjusted Rate means an amount per tonne calculated for each year, if relevant, in accordance with clause 3.9.

3. The Subsidy

3.1. General overview

3.1.1 Within the framework of the subsidy scheme described in this Appendix the Subsidy will be paid per tonne CO_2 permanently stored in accordance with the requirements of the Contract, cf. in particular Appendix 3, Requirements specification.

3.1.2 The subsidy scheme sets out the calculation and payment of Subsidy on an annual basis as illustrated in the annual settlement cycle in clause 3.2. A year of operation is a calendar year. This also applies to the first year of operation regardless of the COD being e.g. January 1, 2026 or February 1, 2026. Thus "the year of operation" and "a given year" means a calendar year.

3.1.3 The annual Subsidy paid by the DEA to the Operator under the Contract is subject to an Annual Subsidy Cap, cf. clause 3.4. The Annual Subsidy Cap does not exempt the Operator from the obligation to deliver the Contracted Quantity in any given year, cf. Appendix 3, Requirements specification.

3.1.4 As further set out in this Appendix, the Subsidy will be based on the Offered Rate with annual adjustments related to:

i. Inflation
ii. EUA prices and the proportion of Fossil (EUA) CO_2, if any (adjustments relating to avoided EUA demand, if relevant).
iii. Savings from avoided CO_2 related taxation as a result of the Delivered Quantity (adjustments relating to avoided CO_2 related taxation), if relevant.

3.1.5 The Subsidy will further be adjusted by the DEA (by calculating the Upsides Adjusted Rate**,** cf. clause 3.9) to take into account upsides realised by the Operator during the Contracting Period such as reduced costs (i.e. reduction of offshore transport costs and permanent storage costs and other OPEX reductions (including onshore logistics and intermediate storage) and income generated as a result of the Delivered Quantity (e.g. earnings related to the storage of biogenic CO_2 or payments from other activities or companies that benefit from the storage of the Delivered Quantity) which is not included in the Operator's business case, cf. Appendix 7, Subsidy and costs.

3.1.6 The Operator shall issue invoices to the DEA throughout a given year to claim the Subsidy related to the Delivered Quantity based on the Settlement Rate calculated by the DEA for the given year. The Settlement Rate is based on the Offered Rate – or, if applicable for the given year, the Upsides Adjusted Rate. Calculation of the Settlement Rate includes the annual adjustments, cf. clause 3.1.4 and is based on the Operator's Forecast Fossil (EUA) Fraction as further set out in clause 3.5.

3.1.7 If relevant, the Settlement Rate may be subject to recalculation (by calculation of Preliminary Adjusted Settlement Rate, cf. clause 3.7) in order to ensure payment of an adjusted Subsidy for the Delivered Quantity in the given year with the allocated funds for the given year.

3.1.8 The Subsidy for a given year will be subject to a final settlement based on the Delivered Quantity for the given year. The final settlement will be made in the subsequent year and may result in an obligation of the Operator to repay Subsidy for the given year. The final settlement cannot result in an obligation for the DEA to pay further Subsidy for the given year.

3.1.9 The annual Subsidy cannot be less than DKK 0.

3.1.10 No unused amount within the Annual Subsidy Cap can be transferred to subsequent years.

3.1.11 In case of any direct or indirect state aid or Union funding in relation to same eligible costs as stated by the Operator in Appendix 7, Subsidy and costs, the Subsidy will be reduced correspondingly to ensure that no overcompensation occurs in accordance with the European Commission's Decision SA.102777 of 12 January 2023 (points 75-77 and 162-163) and point 56 of the European Commission's Guidelines on state aid for climate, environmental protection, and energy 2022. Therefore, any state aid or union funding that results in reduced costs which is not included in the Operator's business case in Appendix 7, Subsidy and costs, will cause a corresponding reduction in the Offered Rate for the calculation of the Subsidy in accordance with this Appendix. Such reduced costs due to state aid or Union funding will not be included in the calculation of the Upsides Adjusted Rate, if any. The Operator is required to inform the DEA of any direct or indirect state aid or union funding in relation to same eligible costs as stated by the Operator in Appendix 7, Subsidy and costs. If the required reduction of the Offered Rate for the calculation of the Subsidy to ensure compliance with the European Commission's Decision SA.102777 of 12 January 2023 has not been made (no matter the reason) prior to the payment of the Subsidy to the Operator, the DEA will recalculate the Subsidy and recover from the Operator any amount that exceeds the Subsidy that should rightfully have been paid. The amount will be recovered with interest from the payment date(s) calculated in accordance with the method in chapter V in Commission Regulation (EC) No 794/2004 of 21 April 2004 implementing Council Regulation (EU) 2015/1589 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union as amended.

3.2 Annual settlement cycle

3.2.1 For the purpose of an informative overview the annual settlement cycle is illustrated below. All requirements and activities are further regulated by provisions in this Appendix, which shall prevail.

Time	Activity	Responsible	Description
Prior to year of operation			
November	Submission of a forecast for the following year regarding • Expected total quantity of CO_2 (The Annual Forecast Quantity) • Composition of CO_2 (The Forecast Fossil (EUA) Fraction)	Operator	The Operator submits a forecast, cf. clause 3.5.2.
December	Calculation of the Settlement Rate	DEA	The Settlement Rate is calculated in accordance with clause 3.5. The Settlement Rate is notified to the Operator for invoicing
December	Calculation of the Annual Subsidy Cap	DEA	The Annual Subsidy Cap is adjusted for inflation in accordance with clause 3.4 and is notified to the Operator
Year of operation			
Weekly or less frequent	Submission of invoices and documentation regarding the Delivered Quantity	Operator	The Operator submits invoices based on his choice of invoicing frequency and in accordance with clause 4. The invoiced amount shall be calculated as the Delivered Quantity in the billing period multiplied with the Settlement Rate in the billing period plus VAT. The Invoiced amount for the Delivered Quantity in a given year cannot exceed the Annual Subsidy Cap except to the extent specified in clause 3.4.4.
November	Submission of the Updated Annual Forecast Quantity. Submission of The Updated Forecast Fossil (EUA) Fraction: • actual composition of CO_2 for Q1-Q3 • forecast for composition of CO_2	Operator	The Operator submits documentation regarding the composition of CO_2 in the Delivered Quantity in accordance with R-18, Appendix 3, Requirements specification, for the first three quarters and a forecast for the last quarter of the year.

Time	Activity	Responsible	Description
	for Q4 Submission of the Adjusted Forecast CO_2 Related Tax Savings.		
December	Calculation of Preliminary Adjusted Settlement Rate	DEA	The Preliminary Adjusted Settlement Rate is calculated based on the same principle as the Settlement Rate, but using realised and forecasted composition of CO_2, cf. clause 3.7. The Preliminary Adjusted Settlement Rate is notified to the Operator.
Activities after each year of operation			
January 10	Deadline for invoicing for the Delivered Quantity in the year of operation (the previous year)	Operator	All invoices regarding the Delivered Quantity in a given year must be submitted at the latest at this date and in accordance with the requirements in clause 4 in order for the DEA to pay out the Subsidy with the allocated funds for the given year.
January 10	Invoicing for any outstanding Subsidy, if relevant	Operator	If the adjustment for CO_2 composition is in favour of the Operator and within the Annual Subsidy Cap, the Operator invoices the DEA for the difference, cf. clause 3.7. If the Preliminary Adjusted Settlement Rate is less than the Settlement Rate, the DEA will calculate a repayment claim as part of the Final Settlement.
January	Payment of any outstanding Subsidy, if relevant	DEA	If the adjustment for CO_2 composition is in favour of the Operator, the outstanding amount of Subsidy is paid to the Operator provided that the DEA has received an invoice in accordance with the requirements, including the deadline for invoicing, cf. clause 3.7 and clause 4.
March	Submission of documentation regarding Delivered Quantity and realised CO_2 composition	Operator	Submission of audited meter reading of Delivered Quantity (Report on Delivered Quantity, cf. R-19, Appendix 3, Requirements specification). Submission of CO_2 composition data in accordance with data submitted to the Danish Emission Trading Registry.
March	Information about use of the Accumulated Production Balance	Operator	If the Accumulated Production Balance is positive and if the Delivered Quantity in the year of operation is

Time	Activity	Responsible	Description
			less than the Contracted Quantity, the Operator can inform the DEA that the Accumulated Production Balance shall not be used to compensate for the production deficit or shall only partly be used to compensate for the production deficit, cf. clause 5.2.7. If the Operator does not inform the DEA about the use of the Accumulated Production Balance the DEA shall calculate any Penalties and update the Accumulated Production Balance according to clauses 5.2.2, 5.2.3, and 5.2.4
April	Calculation of Final Settlement	DEA	Based on the documentation submitted by the Operator, the DEA calculates the Final Settlement, cf. clause 3.8: • The Final Settlement Rate is calculated based on the same principles as the Settlement Rate using realised data for the total quantity and the CO_2 composition, cf. clause 3.8. • Penalties are calculated based on the Delivered Quantity and the Operator's Accumulated Production Balance, cf. clause 5 Notice that only downward adjustments of the Subsidy are made at this point in time. If the Final Settlement Rate is higher than the Preliminary Settlement Rate the Operator shall receive no compensation for the difference.
April	Adjustment of the Production Balance	DEA	If the Delivered Quantity exceeds the Contracted Quantity for the given year or is less than the Contracted Quantity for the given year, the Production Balance is updated with the difference in quantity, cf. clause 5.2. If the Operator shall pay a Penalty for non-performance in accordance with clause 5 the Production Balance is reset to zero (0).
15 September	Submission of the audited Financial Report of the CCS Activities.	Operator	Submission of the Aaudited Financial Report of the CCS Activities in accordance with R-8 Appendix 3, Requirements specification.

Time	Activity	Responsible	Description
October	Calculation of Upsides Adjustment Rate	DEA	If any upsides adjustment is relevant, an Upsides Adjustment Rate is calculated in accordance with clause 3.9 to be implemented in the Settlement Rate for the year of operation +2.

3.3 Adjustment for Inflation

3.3.1 Amounts stated in this Appendix, e.g., the Offered Rate, shall be subject to adjustment for inflation to the extent specified in the provisions of this Appendix.

3.3.2 An adjustment for inflation shall be calculated prior to any year of operation using the forecasted value in row "Forbrugerprisindeks~~er~~" and column "Samlet opregning" in the table "Pris- og lønforudsætninger" published by the Danish Agency for Public Finance and Management (in Danish "Økonomistyrelsen")[1].

3.3.3 For any given year the Inflation Correction Factor (ICF) is calculated based on the previous year's ICF and the forecasted inflation ("Forbrugerprisindeks~~er~~" as "Samlet opregning"). As 2022 defines the reference price level, the ICF for 2023 is calculated as:

$$ICF_{2023} = 100 + Forbruger\sout{s}prisindeks\sout{er}_{2023}$$

For any following year, the ICF is calculated with the ICF of the previous year as reference, so that the ICF for 2024 is calculated with the ICF for 2023 as a reference, the ICF for 2025 is calculated with the

[1] https://oes.dk/oekonomi/finanslov-og-udgiftsopfoelgning/indeks/pris-og-loenforudsaetninger/~~https://oes.dk/oekonomi/finanslov-og-udgiftsopfoelgning/indeks/fastprisberegninger/~~

ICF for 2024 as reference, etc. For any year *n* after 2023 the ICF is calculated to be:

$$ICF_{Year\ n} = ICF_{Year\ n-1} * \frac{Forbrugsprisindeks\text{~~er~~}_{Year\ n-1} + 100}{100}$$

With the exception of the amounts adjusted according to clauses 3.3.4 and 3.3.5 any amount which is adjusted for inflation shall for the year *n*, be calculated as:

$Amount_{Year\ n} = Amount_{2022} * ICF_{Year\ n}$

where $Amount_{Year\ n}$ is the amount applied and where $Amount_{2022}$ is the amount at BAFO which is subject to adjustment.

3.3.4 The Upsides Adjusted Rate is applied two years after the events which trigger the adjustment. For that reason, the Upsides Adjustment Rate is adjusted by the inflation of the two years from the event until the year for which the Upsides Adjustment Rate applies. For the calculation of the Upsides Adjusted Rate for a given year (year-n) the following Inflation Correction Factor Upsides Adjustment (ICF Upsides Adjustment) is used:

$$ICF\ Upsides\ Adjustment_{Year\ n} = (100 + Forbrugsprisindeks\text{~~er~~}_{n-2}) * \frac{Forbrugsprisindeks\text{~~er~~}_{Year\ n-1} + 100}{100}$$

3.3.5 The amount of the Performance and Warranty Guarantee is adjusted every three years, see clause 8.2 of the Contract. Therefore, the guarantee amount is adjusted to reflect three years of inflation over the previous three-year period. The adjusted amount after three years shall be:

*$Amount_{2025}$ = $Amount_{2022}$ * (1 + Forbrugerprisindeks~~er~~$_{2023}$/100) * (1 + Forbrugerprisindeks~~er~~$_{2024}$/100) * (1 + Forbrugerprisindeks~~er~~$_{2025}$/100)*

The guarantee amount after six years shall be:

*$Amount_{2028}$ = $Amount_{2025}$ * (1 + Forbrugerprisindeks~~er~~$_{2026}$/100) * (1 + Forbrugerprisindeks~~er~~$_{2027}$/100) * (1 + Forbrugerprisindeks~~er~~$_{2028}$/100)*

The same principle applies to following adjustments so that for any year *n* at which the adjustment of the guarantee amount is required,

the amount shall be:

$$Amount_n = Amount_{n-3} * (1 + Forbrugerprisindeks_{n-2}/100) * (1 + Forbrugerprisindeks_{n-1}/100) * (1 + Forbrugerprisindeks_n/100)$$

3.3.6 The ICF and ICF Upsides Adjustment are rounded to one digit after the comma. The rounded value is applied to all calculations of inflation adjustments, e.g., settlement rates, Ppenalties, etc. and to the calculation of the following year's ICF.

3.3.7 The calculation of the ICF is illustrated by the examples below:

Example: Calculation of the ICF

The Forbrugerprisindeks provided by the Danish Agency for Public Finance and Management are (notice that the example is fictitious and for illustration only):

Year	Forbrugerprisindeks~~er~~	Calculation	ICF
2022	1.5	None (reference year)	100.0
2023	1.2	100 + 1.2	101.2
2024	2.0	101.2 * (2.0 + 100) / 100	103.2
2025	1.2	103.2 * (1.2 + 100) / 100	104.4
2026	2.1	104.4 * (2.1 + 100) / 100	106.6
2027	1.8	106.6 * (1.8 + 100) / 100	108.5
2028	2.2	108.5 * (2.2 + 100) / 100	110.9
2029	1.7	110.9 * (1.7 + 100) / 100	112.8

Example: Calculation inflation correction for 2029

The ICF applied for the calculation for 2029 is:

$$ICF_{2029} = ICF_{2028} * \frac{Forbrugerprisindeks\sout{er}_{2029} + 100}{100} = 111.0 * \frac{1.7 + 100}{100} = 112.8$$

ICF_{2028} is calculated as

$$ICF_{2028} = ICF_{2027} * \frac{Forbrugerprisindeks\sout{er}_{2028} + 100}{100} = 108.6 * \frac{2.2 + 100}{100} = 110.9$$

Etc. for previous years.

Example: Calculation of the Upsides Adjustment Rate for 2029

The Upsides Adjustment Rate for 2029 is based on the 2027 Financial Report and must therefore be adjusted for two years' inflation. The ICF-upsides are:

$$ICF - upsides_{2029} = (100 + Forbrugerprisindeks\sout{er}_{2027}) * \frac{Forbrugerprisindeks\sout{er}_{2028}+100}{100} = (100 + 1.8) * \frac{2.2+100}{100} = 104.0$$

Example: Calculation of the Performance and Warranty Guarantee

This example illustrates how the amount of the Performance and Warranty Guarantee, see the Contract clause 8.2 is adjusted for inflation. Notice that the amount is adjusted every three years.

Year	Forbrugerprisindekser	Liability
2022		600,000,000 DKK
2023	1.2	600,000,000 DKK
2024	2.0	600,000,000 DKK
2025	1.2	600,000,000 MDKK * (1 + 1.2/100) * (1 + 2.0/100) * (1 + 1.2/100) = 626,776,128 DKK
2026	2.1	626,776,128 DKK
2027	1.8	626,776,128 DKK
2028	2.2	8,879,328 MDKK * (1 + 2.1/100) * (1 + 1.8/100) * (1 + 2.2/100) = 665,789,379 DKK
2029	1.7	665,789,379 DKK

3.4 Annual Subsidy Cap

3.4.1 The payment related to the Delivered Quantity in a given year cannot exceed MDKK 408.4 (2022) including VAT and adjusted for inflation by the ICF (the Annual Subsidy Cap). The Annual Subsidy Cap is applicable for each year of the Contract, i.e., 2025 – 2044 except to the extent that the Operator has specified a lower subsidy cap for 2025 (Subsidy Cap 2025), cf. clause 3.4.2.

3.4.2 If the Operator has specified a Subsidy Cap 2025 in Appendix 7, Subsidy and costs, this will apply as the Annual Subsidy Cap for 2025. The difference between the Annual Subsidy Cap pursuant to clause 3.4.1 and the Subsidy Cap 2025 will be transferred to 2045 and will then be applied as Subsidy Cap for 2045.

3.4.3 The Annual Subsidy Cap for a given year will be calculated by the DEA in the year prior to the given year in accordance with clause 3.4.1. and will be notified to the Operator no later than 31 December in the year prior together with the Settlement Rate for the given year, cf. clause 3.5.4. The calculation of the Annual Subsidy Cap is illustrated by an example in clause 6.1.

3.4.4 The invoiced amount related to the Delivered Quantity in a given year may exceed the Annual Subsidy Cap to the extent specified below:

(a) If the DEA's recalculation of the Subsidy for the previous year (Final Settlement, cf. clause 3.8) results in an obligation of the Operator to repay Subsidy, the invoiced amount in the given year may exceed the Annual Subsidy Cap by an amount corresponding to this repayment obligation.

(b) If the Operator is subject to Ppenalties, cf. clause 5, the invoiced amount in the given year may exceed the Annual Subsidy Cap by an amount corresponding to the Ppenalties.

3.5 Calculation of the Settlement Rate

3.5.1 The Settlement Rate for a given year shall be used by the Operator to claim the Subsidy related to the Delivered Quantity throughout the given year by invoices issued by the Operator, cf. clause 4.

3.5.2 The Operator shall provide the DEA with the Annual Forecast Quantity, the Forecast CO_2 Related Tax Savings, and the Forecast Fossil (EUA) Fraction for a given year no later than 30 November in the year prior to the given year.

3.5.3 The Settlement Rate for a given year shall be calculated by the DEA in December in the year prior to the given year on the basis of the following:

a) The amount per tonne CO_2

(i) the Offered Rate adjusted for inflation in accordance with clause 3.3 or

(ii) if applicable for the given year, the Upsides Adjusted Rate, cf. clause 3.9

b) If relevant, a yearly adjustment for avoided EUA demand as follows:

(i) a yearly adjustment for the difference between the EUA forward price compared to the EUA baseline price and relative to the Baseline Fossil (EUA) Fraction (the EUA Baseline Price Adjustment), cf. clause 3.5.5.

(ii) a potential yearly adjustment if the Forecast Fossil (EUA) Fraction for the given year is different from the Baseline Fossil (EUA) Fraction (Adjustment for Revised Fossil (EUA) CO_2 Fraction), cf. clause 3.5.6.

c) A potential yearly adjustment for savings from avoided CO_2 related taxation as a result of the performance of the Contract (e.g., changes in the CO_2 taxation that is avoided due to the storage of CO_2) which are due to amendments of the relevant taxation regulation in force at the time of BAFO (Reduction for savings from avoided CO_2 related taxation), cf. clause 3.5.7.

3.5.4 The Settlement Rate for a given year will be notified to the Operator no later than 31 December in the year prior to the given year together with the Annual Subsidy Cap for the given year, cf. clause 3.4.3.

3.5.5 The EUA Baseline Price Adjustment

3.5.5.1 This clause 3.5.5 is only relevant for an Operator storing Fossil (EUA) CO_2 in a given year (i.e. an Operator who has forecasted to store Fossil (EUA) CO_2 in a given year in the business case in Appendix 7, Subsidy and costs, or in the Forecast Fossil (EUA) Fraction for given year).

3.5.5.2 If the Operator stores Fossil (EUA) CO_2 (exclusively or mixed with other CO_2), the calculation of the Settlement Rate shall include an adjustment based on the difference between the EUA baseline price for the given year stated in clause 3.5.5.3 (adjusted for inflation, cf. clause 3.3) and the EUA forward price stated in clause 3.5.5.4 – and relative to the Operator's Baseline Fossil (EUA) Fraction.

3.5.5.3 The EUA baseline price is as follows:

Year	EUA Price (DKK/tonne CO_2, 2022 price index)	Year	EUA Price (DKK/tonne CO_2, 2022 price index)
2024	642	2035	880
2025	651	2036	913
2026	667	2037	946
2027	685	2038	983
2028	705	2039	1,022
2029	726	2040	1,064
2030	748	2041	1,064
2031	771	2042	1,064
2032	796	2043	1,064
2033	822	2044	1,064
2034	850	2045	1,064

3.5.5.4 The EUA forward price is calculated as an average closing price between 20. September to 20. December in the year prior to the given year and 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 EUA forward price is obtained. The EUA forward price is obtained from the exchange/trading platform that on average had the largest volume of EUA forward contracts.

3.5.6 The Adjustment for Revised Fossil (EUA) Fraction

3.5.6.1 This clause 3.5.6 is only relevant for an Operator storing Fossil (EUA) CO_2 in a given year (i.e. an Operator who has forecasted to store Fossil EUA CO_2 in the business case in Appendix 7, Subsidy and costs, or by the Forecast Fossil (EUA) Fraction for a given year).

3.5.6.2 If the Operator's Forecast Fossil (EUA) Fraction for a given year is different from the Baseline Fossil (EUA) Fraction for the given year, the calculation of the Settlement Rate includes an adjustment based on this difference (however, see clause 3.5.6.3) times the EUA forward price stated in clause 3.5.5.4.

3.5.6.3 The adjustment according to clause 3.5.6.2 is capped at a decrease of Fossil (EUA) Fraction of ten (10) % points below the business case assumption. If the Operators Forecast Fossil (EUA) Fraction is more than 10 % point less than the Baseline Fossil (EUA) Fraction for the given year the adjustment will be calculated based on a Fossil (EUA) Fraction calculated as the Baseline Fossil (EUA) Fraction minus ten (10) % point. The calculation is illustrated by an example in clause 6.2.

3.5.7 Adjustment for savings from avoided CO_2 related taxation

3.5.7.1 This clause 3.5.7 is only relevant if the taxation regulation in force at the time of BAFO is amended before the end of the Contract in a way that changes the Operator's savings from avoided taxation as a result of the performance of the Contract (e.g. changes to the CO_2 taxation that is avoided due to the storage of CO_2) compared to the baseline provided in Appendix 7, Subsidy and costs ("Tax savings baseline").

3.5.7.2 If the taxation regulation is amended as described in clause 3.5.7.1 with effect in a given year, the Settlement Rate for the period of the given year after the entry into force of the amendment will include an adjustment based on the increased or reduced CO_2 related tax savings per tonne CO_2 as a result of the amendment. If relevant, the adjustment shall be based on the Forecast Fossil (EUA) Fraction. In the year that the amendment enters into force there will accordingly be one Settlement Rate for the given year for the period prior to the amendment entering into force and another Settlement Rate for the given year for the period after such date -unless the entry into force of the amendment is 1st of January of the given year.

3.5.7.3 If changes in the CO_2 related taxes in the Value Chain are part of the calculation of changes in the avoided CO_2 related taxes ("net savings"), the Operator shall provide documentation demonstrating:

(i) the changed CO_2 related taxes in the Value Chain and

(ii) the consistency with the methods for calculating changes in CO_2 related taxes in the Value Chain in the tax savings baseline provided by the Operator in Appendix 7, Subsidy and costs and compliant with the principles of the Greenhouse Gas Protocol.

3.5.8 Calculation of Settlement Rate

3.5.8.1 The Settlement Rate is calculated as follows (if no Upside Adjustment Rate is applied):

$$Settlement\ Rate = Offered\ Rate * ICF + EUA\ Fraction_B *\ EUA_{Baseline} * ICF - \ EUA\ Fraction_{\ F} * EUA_{\ FW} + \frac{Tax\ savings_{Baseline} * ICF - \ Tax\ savings_F}{QTY_F}$$

Parameter	Definition	Unit
Settlement Rate	Settlement Rate	DKK/tonne CO_2
Offered Rate	Rate offered by the Operator	DKK/tonne CO_2
ICF	Inflation Correction Factor	%
EUA Fraction$_B$	The Baseline Fossil (EUA) Fraction for the relevant year	%
EUA Fraction$_F$	The Forecast Fossil (EUA) Fraction for the relevant year *Or* If the Forecast Fossil (EUA) Fraction is more than 10% points less than the Baseline Fossil (EUA) Fraction, the EUA Fraction $_F$ shall be the Baseline Fossil (EUA) Fraction minus 10% points.	%
EUA$_{Baseline}$	Baseline EUA price for the relevant year, cf. clause 3.5.5.3	DKK/tonne CO_2
EUA$_{FW}$	The EUA forward price for the relevant year, cf. clause 3.5.5.4	DKK/tonne CO_2
Tax savings$_{Baseline}$	The CO_2 related tax savings ("tax savings baseline") provided by the Operator in Appendix 7, Subsidy and costs	DKK
Tax savings$_F$	The Forecast CO_2 Related Tax Savings	DKK
QTY$_F$	The Annual Forecast Quantity	Tonnes CO_2

3.5.8.2 The Settlement Rate is rounded to the nearest øre (0.01 DKK). This also applies to the calculation of the Preliminary Adjusted Settlement Rate and the Final Settlement Rate.

3.5.8.3 The calculation of the Settlement Rate is illustrated by examples in clause 6.2.

3.6 Calculation of a Revised Settlement Rate

3.6.1 Both Parties are entitled to request a recalculation of the Settlement Rate during a year of operation if the composition of CO_2 in the Delivered Quantity is significantly different from the Forecast Fossil (EUA) Fraction.

3.6.2 Any recalculation of the Settlement Rate shall be based on documentation regarding the Delivered Quantity until the time of such request and a forecast for the remaining part of the year of operation corresponding to the documentation required for calculation of Preliminary Adjusted Settlement Rate, cf. clause 3.7.

3.6.3 The DEA calculates a Revised Settlement Rate based on the same calculation as the Settlement Rate, cf. clause 3.5 but using the documentation provided by the Operator pursuant to clause 3.6.2. The DEA will notify the Operator of the Revised Settlement Rate. The Revised Settlement Rate shall be used for invoices no later than 10 Business Days after the notice.

3.6.4 If a Revised Settlement Rate is implemented for invoicing during a given year of operation , the calculation of adjustments using the Preliminary Settlement Rate and the Final Settlement Rate shall take into account that invoicing has been based on one Settlement Rate for the given year for the period prior to the implementation of the Revised Settlement Rate and another Settlement Rate for the given year for the period after the implementation.

3.7 Calculation of Preliminary Adjusted Settlement Rate

3.7.1 The Operator shall provide the DEA with an Updated Annual Forecast Quantity, an Updated Forecast Fossil (EUA) Fraction and an Adjusted

Forecast CO_2 Related Tax Savings no later than 30 November in the given year.

3.7.2 The DEA calculates a Preliminary Adjusted Settlement Rate based on the same calculation as the Settlement Rate, cf. clause 3.5 but using the Updated Annual Forecast Quantity, the Updated Forecast Fossil (EUA) Fraction, and the Adjusted Forecast CO_2 Related Tax Savings instead of the Annual Forecast Quantity, the Forecast Fossil (EUA) Fraction, and the Forecast CO_2 Related Tax Savings.

3.7.3 The Preliminary Adjusted Settlement Rate will be notified to the Operator no later than 31 December in the given year. The Preliminary Adjusted Settlement Rate is calculated and provided to the Operator to calculate a potential adjustment of the Subsidy, cf. clause 3.7.4. The Preliminary Adjusted Settlement Rate shall not be used for invoicing except for the potential adjustment in accordance with clause 3.7.4 - 3.7.5.

3.7.4 If the Preliminary Adjusted Settlement Rate for a given year is higher than the Settlement Rate for the given year, the Operator shall calculate an adjustment of the Subsidy based on the difference between the two rates multiplied with the Delivered Quantity for the given year (the calculated adjustment amount) and with respect of the Annual Subsidy Cap, cf. clause 3.7.5.

3.7.5 If the remaining Subsidy within the Annual Subsidy Cap (i.e., the difference between the Annual Subsidy Cap for the given year and the Subsidy invoiced by the Operator based on the Delivered Quantity for the given year times the Settlement Rate for the given year) is less than the calculated adjustment amount for the given year, cf. clause 3.7.4, the Operator is only entitled to additional Subsidy equal to the remaining Subsidy.

3.7.6 The Operator shall claim the additional Subsidy calculated in accordance with clause 3.7.4 and 3.7.5 by invoice issued to the DEA no later than 10 January the year following the given year. The Operator's calculation of the additional Subsidy shall be submitted to the DEA within the same time limit.

3.7.7 Payment of additional Subsidy calculated in accordance with this clause 3.7 shall be a final settlement of the Subsidy related to the

Delivered Quantity in the given year, in the favour of the Operator. The Operator will not be entitled to claim further Subsidy related to the Delivered Quantity in the given year.

3.7.8 If the Preliminary Adjusted Settlement Rate is less than the Settlement Rate, the DEA will calculate a repayment claim as part of the Final Settlement, cf. clause 3.8.

3.7.9 The calculation of the Preliminary Adjusted Settlement Rate is illustrated by an example in clause 6.3.

3.8 Final settlement regarding the Delivered Quantity

3.8.1 Final settlement regarding the Delivered Quantity.

3.8.1.1 The Operator shall provide the DEA with documentation regarding the Delivered Quantity and the Actual Fossil (EUA) Fraction in the given year immediately after the information has been submitted to the Danish Emission Trading Registry. The documentation shall be provided in accordance with R-18, R-19, and R-20, Appendix 3, Requirement Specification.

3.8.1.2 The final calculation regarding the Delivered Quantity in a given year shall be made by the DEA no later than the last Business Day in April in the following year as set out in clauses 3.8.2 and 3.8.3.

3.8.1.3 If the final calculation, cf. clause 3.8.2 shows that the Subsidy paid to the Operator for the given year exceeds the Subsidy calculated in accordance with clause 3.8.2, the Operator shall be required to repay the excess amount together with any Penalty, cf. clause 3.8.3.

3.8.1.4 Repayment of the Subsidy and the payment of Penalties, if any, will fall due for payment thirty (30) Days from the date the Operator has received DEA's calculation of the repayment claim and/or the Penalty. The DEA may at its sole discretion choose to receive the payment by offsetting by the DEA in the subsequent invoiced Subsidy.

3.8.1.5 The final recalculation cannot result in an obligation for the DEA to pay further Subsidy for the given year.

3.8.2 Calculation of Final Settlement Rate

3.8.2.1 To account for any difference between the Delivered Quantity in a given year and the quantity invoiced by the Operator in the given year, including any difference with respect to the Fossil (EUA) Fraction the DEA will calculate a Final Settlement Rate. The Final Settlement Rate is based on the same calculation as the Settlement Rate, cf. clause 3.5 but based on the documentation provided by the Operator pursuant to clause 3.8.1.1.

3.8.2.2 If the Final Settlement Rate for a given year is less than the Settlement Rate for the given year, the DEA shall calculate the final Subsidy based on the Delivered Quantity and the Final Settlement Rate. The Operator shall be required to repay the difference between the Subsidy for the Delivered Quantity paid by the DEA for a given year and the Subsidy calculated on the basis of the Final Settlement Rate for the given year.

3.8.2.3 If the Final Settlement Rate for a given year is higher than the Settlement Rate for the given year or the Preliminary Adjusted Settlement Rate for the given year, the Operator is not entitled to further Subsidy for CO_2 delivered in the given year or any compensation.

3.8.2.4 The calculation of the Final Settlement Rate is illustrated by an example in clause 6.3.

3.8.3 Calculation regarding Penalty

3.8.3.1 If incurred, the DEA will calculate Penalty, as part of the final settlement for a given year. Penalty will be calculated in accordance with the provisions set out in clause 5.

3.9 Calculation of Upsides Adjusted Rate

3.9.1 The Operator's Offer includes a break-down of the Operator's assumed costs and earnings in the Contracting Period, cf. Appendix 7, Subsidy and costs. According to requirement R-9, Appendix 3, Requirements specification, the Operator is required to submit an audited Financial Report including an annual statement on the actual costs and earnings (the Audited Annual Statement on Costs and Earnings).

3.9.2 If the Audited Annual Statement on Costs and Earnings shows upsides realised by the Operator during the Contract Period such as reduced costs (i.e. reduction of offshore transport costs and permanent storage costs and other OPEX reductions, including onshore logistics and intermediate storage) and income generated as a result of the Delivered Quantity (earnings related to capture and storage of biogenic CO_2 or payments from other activities or companies that benefit from the storage of the Delivered Quantity including payment for decarbonization services to affiliated activities or companies or to third parties) which is not included in the Operator's business case in Appendix 7, Subsidy and costs, the DEA will calculate an Upsides Adjusted Rate in accordance with clause 3.9.3 - 3.9.6.

3.9.3 The calculation of the Upsides Adjusted Rate will be made on a yearly basis based on a calculation of savings/income per tonne CO_2 realised in a given year (e.g., 2030) based on the Audited Annual Statement on Costs and Earnings for the given year (2030). The calculation will be made in the subsequent year (e.g., 2031 after submission of the Financial Report for 2030) and the Upsides Adjusted Rate will apply for calculation of the Settlement Rate applicable for the following year (e.g., 2032).

3.9.4 Calculation of the Upsides Adjusted Rate is based on costs and earnings per tonne of delivered CO_2, (in the following referred to as unit costs and earnings). In the case of cost reductions, the Upsides Adjustments Rate is activated when reductions pass a threshold which corresponds to 10% unit cost reduction at Baseline Planned Quantity. The threshold is calculated relatively to an extrapolated unit cost. The purpose of the extrapolated unit cost is to allow change in operating cost in the case of a change in Delivered Quantity relative to the

Baseline Planned Quantity while taking into account any economies of scale related to the deviation from the Baseline Planned Quantity.

The extrapolated cost for offshore transport and permanent storage is:

$$EC_{Storage} = OPEX_{Storage\_B} * 0.5 * \left(1 + \frac{Q_D}{Q_{BP}}\right)$$

Where

$EC_{Storage}$ is the extrapolated offshore transport and permanent storage related OPEX

$OPEX_{Storage\_B}$ is the baseline OPEX for offshore transport and permanent storage stated in Appendix 7, Subsidy and costs

Q_D is the Delivered Quantity

Q_{BP} is the Baseline Planned Quantity stated in Appendix 7, Subsidy and costs

The threshold for activation of the Upsides Adjustment Rate is at 90% of $EC_{Storage}$

The extrapolated OPEX other than offshore transport and permanent storage is:

$$EC_{Other} = OPEX_{Other\ OPEX\_B} * \left(0.1 + 0.9 * \frac{Q_D}{Q_{BP}}\right)$$

Where

EC_{Other} OPEX is the extrapolated OPEX other than offshore transport and permanent storage related costs, including onshore logistics and intermediate storage OPEX

$OPEX_{Other\ OPEX\_B}$ is the baseline cost for OPEX other than offshore transport and permanent storage as stated in Appendix 7, Subsidy and costs

Q_D is the Delivered Quantity

Q_{BP} is the Baseline Planned Quantity as stated in Appendix 7, Subsidy and costs

3.9.5 The principles for the calculations are as follows:

Event	Adjustment
Reduction of offshore transport and permanent storage costs up to 10% compared to the extrapolated offshore transport and permanent storage related OPEX	A reduction of the offshore transport and permanent storage unit cost below the threshold for activation of the adjustment for offshore transport and storage related OPEX does not lead to a reduction of the Subsidy
Reduction of offshore transport and permanent storage costs of more than 10% compared to the extrapolated offshore transport and permanent storage related OPEX	90% of the cost savings regarding the offshore transport and permanent storage unit cost beyond the threshold for activation of the adjustment for offshore transport and permanent storage related OPEX will be included in the calculation of the Upsides Adjusted Rate
Reduction of other OPEX than offshore transport and permanent storage up to 10% compared to the extrapolated OPEX other than offshore transport and permanent storage It denotes the savings related to the two cost pools “onshore logistics and intermediate storage” plus “other OPEX”, as defined in Appendix 7 – Subsidy and costs.	A reduction of the OPEX other than offshore transport and storage below the threshold unit cost for other OPEX than offshore transport and permanent storage cost does not lead to a reduction of the Subsidy
Reduction of other OPEX than offshore transport and permanent storage beyond 10% compared to the extrapolated OPEX other than offshore transport and permanent storage. It denotes the savings related to the two cost pools “onshore logistics and intermediate storage” plus “other OPEX”, as defined in Appendix 7, Subsidy and costs.	75% of the cost savings beyond the threshold for other OPEX than offshore transport and permanent storage cost of 10%, will be included in the calculation of the Upsides Adjusted Rate

Event	Adjustment
Income generated as a result of the Delivered Quantity, e.g., income from certificates related to the storage of biogenic CO_2 or payments from other activities or companies that benefit from the storage of the Delivered Quantity – included in Appendix 7, Subsidy and costs.	No reduction of Subsidy as the Operator has already included the expected earnings and benefits in the business case and accordingly in the calculation of the Offered Rate
Income generated as a result of the Delivered Quantity e.g., income from certificates related to the storage of biogenic CO_2 or payments from other activities or companies that benefit from the storage of the Delivered Quantity – not included in Appendix 7, Subsidy and costs.	90% of the income (CCS related earnings) per tonne of delivered CO_2 will be included in the calculation of the Upsides Adjusted Rate

3.9.6 The Upsides Adjusted Rate for year n is based on the Financial Report from year n-2 and is calculated as follows:

Offered Rate, year n-2 price level	Offered Rate * $ICF_{year\ n-2}$
A Reduction for ΔStorage	90% of unit cost savings above the threshold for offshore transport and permanent storage
B Reduction for Δother OPEX	75% of unit cost savings above the threshold for other OPEX than offshore transport and permanent storage, and including onshore logistics and intermediate storage
C Reduction for ΔCCS related earnings	90% of CCS related earnings per tonne of delivered CO_2 not included in Appendix 7, Subsidy and costs
Total reduction, year n-2 price level	*A* + *B* + *C*
Upsides Adjusted Settlement Rate, year n-2 price level	*Upsides Adjusted Settlement Rate*$_{year\ n-2}$ = Offered Rate $_{year\ n-2\ price\ level}$ – Reduction per tonne
Upsides Adjusted Settlement Rate, year n price level	*Upsides Adjusted Settlement Rate* = *Upsides Adjusted Settlement Rate*$_{year\ n-2}$ * *ICF-UA*

Where

ICF is the Inflation Correction Factor in accordance with clause 3.3

ICF-UA is the Inflation Correction Factor for Upsides Adjustment of the two relevant years from the year reported to the year when the Upsides Adjusted Settlement Rate is applied in accordance with clause 3.3

ΔStorage is the unit cost reduction beyond the threshold for offshore transport and permanent storage related OPEX . This cost reduction is the difference between the actual unit cost (calculated from the Delivered Quantity and from the costs stated in the annual Financial Report for a given year) and the baseline cost and Baseline Planned Quantity of the given year in Appendix 7, Subsidy and Costs, sheet "*Cost and earnings break-down"* adjusted for inflation in accordance with clause 3.3.

ΔOther OPEX is the unit cost reduction beyond the threshold for other OPEX than related to offshore transport and storage (thus including onshore logistics and intermediate storage). This cost reduction is the difference between the actual unit cost (calculated from the Delivered Quantity and the costs stated in the annual Financial Report for a given year) and the baseline cost and Baseline Planned Quantity of the given year in Appendix 7, Subsidy and costs, sheet "*Cost and earnings break-down"* adjusted for inflation in accordance with clause 3.3.

ΔCCS Related Earnings is the income per tonne of stored CO_2 (Delivered Quantity) in a given year (stated in the annual Financial Report) generated as a result of the Delivered Quantity (e.g., income from certificates related to the storage of biogenic CO_2 or payments from other activities or companies that benefit from the storage of the Delivered Quantity, including payment for decarbonization services to affiliated activities or companies or to third parties) beyond a planned income in the given year in Appendix 7, Subsidy and costs, "Income generated as a result of the Delivered Quantity, e.g., income from certificates related to the storage of biogenic CO_2 or payments from other activities or companies that benefit from the storage of the Delivered Quantity ("CCS related earnings")" corrected for inflation.

3.9.7 The calculation of the Upsides Adjusted Rate is illustrated by the example below.

Example: Adjustment due to OPEX reductions and CCS related earnings at baseline quantity

At operational year 2027 the Operator has:

Parameter	Value	Comment
Offered Rate	708.9 DKK/tonne	Cf. Appendix 7, Subsidy and costs
ICF_{2027}	108.6	
Forbrugerprisindeks~~er~~ 2028	2.2	Cf. clause 3.3
Forbrugerprisindeks~~er~~ 2029	1.7	Cf. clause 3.3
$ICF_{Upside\ Adjustment}$	103.9	Cf. clause 3.3
Baseline storage cost	200 MDKK	Offshore transport and permanent storage cost cf. Appendix 7 Subsidy and costs, adjusted for inflation
Realised storage cost	175 MDKK	Specified in the Financial Report
Baseline other OPEX	50 MDKK	The sum of onshore logistics and intermediate storage cost and other OPEX, cf. Appendix 7, subsidy and costs, adjusted for inflation
Realised other OPEX	35 MDKK	Specified in the Financial Report
Baseline CCS related earnings	0 MDKK	The sale of quota or certificates related to capture and storage of biogenic CO_2 stated in Appendix 7, subsidy and costs, corrected for inflation
Realised CCS related earnings	20 MDKK	The sale of quota or certificates related to capture and storage of biogenic CO_2 and not assumed in Appendix 7, subsidy and costs,
Baseline Planned Quantity	400,000 tonnes	Cf. Appendix 7, Subsidy and costs
Delivered Quantity	400,000 tonnes	Delivered Quantity in 2027

The extrapolated OPEX for offshore transport and storage is:

$$EC_{Storage} = 200\ MDKK * 0.5\left(1 + \frac{400{,}000\ tonnes}{400{,}000\ Tonnes}\right) = 200\ MDKK$$

The threshold for inclusion in the Upsides Adjustment Rate is:

90% of 200 MDKK = 180 MDKK

The Upsides Adjustment Rate is calculated from the cost reduction beyond the threshold:

180 MDKK – 175 MDKK = 5 MDKK

The extrapolated OPEX for other activities than offshore transport and storage is:

$$EC_{Other\ OPEX} = 50\ MDKK * \left(0.1 + 0.9 * \frac{400{,}000\ tonnes}{400{,}000\ tonnes}\right) = 50\ MDKK$$

Example: Adjustment due to OPEX reductions and CCS related earnings with production quantity growth above baseline

At operational year 2027 the Operator has:

Parameter	Value	Comment
Offered Rate	708.9 DKK/tonne	Cf. Appendix 7, Subsidy and costs
ICF_{2027}	108.6	
Forbrugerprisindeks~~er~~ 2028	2.2	Cf. clause 3.3
Forbrugerprisindeks~~er~~ 2029	1.7	Cf. clause 3.3
$ICF_{Upside\ Adjustment}$	103.9	Cf. clause 3.3
Baseline storage cost	200 MDKK	Offshore transport and permanent storage cost cf. Appendix 7 Subsidy and costs, adjusted for inflation
Realised storage cost	185 MDKK	Specified in the Financial Report
Baseline other OPEX	50 MDKK	The sum of onshore logistics and intermediate storage cost and other OPEX, cf. Appendix 7, subsidy and costs, adjusted for inflation
Realised other OPEX	39 MDKK	Specified in the Financial Report
Baseline CCS related earnings	0 MDKK	The sale of quota or certificates related to capture and storage of biogenic CO_2 stated in Appendix 7, subsidy and costs, corrected for inflation
Realised CCS related earnings	20 MDKK	The sale of quota or certificates related to capture and storage of biogenic CO_2 and not assumed in Appendix 7, subsidy and costs
Baseline Planned Quantity	400,000 tonnes	Cf. Appendix 7, Subsidy and costs
Delivered Quantity	450,000 tonnes	Delivered Quantity in 2027

The extrapolated OPEX for offshore transport and storage is:

$$EC_{Storage} = 200\ MDKK * 0.5 * \left(1 + \frac{450{,}000\ tonnes}{400{,}000\ tonnes}\right) = 212.5\ MDKK$$

The threshold for application of the Upsides Adjustment Rate is:

90% of 212.5 MDKK = 191.25 MDKK

The Upsides Adjustment Rate is calculated from the cost reduction beyond the threshold:

191.25 MDKK – 185 MDKK = 6.25 MDKK

The extrapolated OPEX for other activities than offshore transport and storage is:

$$EC_{Other\ OPEX} = 50\ MDKK * \left(0.1 + 0.9 * \frac{450{,}000\ tonnes}{400{,}000\ tonnes}\right) = 55.625\ MDKK$$

Example (continued): Adjustment due to OPEX reductions and CCS related earnings

The threshold for inclusion in the Upsides Adjustment is 90% of the extrapolated OPEX:

90% of 55.625 MDKK = 50.0625 MDKK

The Upsides Adjustment Rate is calculated from the cost reduction beyond the threshold:

50.0625 MDKK – 39 MDKK = 11.0625 MDKK

The relative CCS related earnings are:

20 MDKK/450,000 tonnes = 44.444 DKK/tonne

As no CCS related earnings are stated in Appendix 7, Subsidy and costs, the full value of the CCS related earnings is applied in the calculation of the Upsides Adjustment Rate.

The Upsides Adjusted Rate applied in the Settlement Rate applicable for 2029, and which is based on the 2027 financial results, is:

Offered Rate, 2027 price level	708.9 DKK/tonne * 108.6% = 769.87 DKK/tonne
Reduction for ΔStorage	(90% of 6.25 MDKK) / 450,000 tonnes = 12.5 DKK/tonne
Reduction for Δother OPEX	(75% of 11.0625 MDKK) / 450,000 tonnes = 18.44 DKK/tonne
Reduction for $\Delta CCS\ related$ earnings	90% of 44.44 DKK = 40 DKK/tonne
Total reduction, 2027 price level	(12.5 + 18.44 + 40) DKK/tonne = 74.94 DKK/tonne
Upsides Adjusted Rate, 2027 price level	(708.9 * 108.6% – 74.94) DKK/tonne = 694.93 DKK/tonne
Upsides Adjusted Rate, 2029 price level	694.93 * 103.9% = 722.03 DKK/tonne

4. Invoicing

4.1.1 The Operator shall invoice the DEA based on Delivered Quantity weekly or less frequent. The invoiced amount shall be calculated as the Delivered Quantity in the billing period multiplied the Settlement Rate for the given year plus VAT.

4.1.2 The Operator shall with each invoice provide documentation in accordance with R-19, Appendix 3 Requirement Specification.

4.1.3 Invoices regarding Delivered Quantity in a given year shall be submitted to the DEA no later than 10 January of the following year.

4.1.4 Invoicing shall take place electronically in accordance with the Danish Public Payments (Consolidation) Act no. 798 af 28 June 2007

regarding Public Payments, etc., with the requirements laid down in subsequent amendments applicable from time to time.

5. Penalties

5.1 Non-performance regarding the Contracted Quantities

5.1.1 In the event the Operator fails to deliver the Contracted Quantities in a given year for reasons other than Force Majeure, the Operators non-performance shall be subject to Penalty in accordance with the provisions set out in clause 5.2 - 5.6.

5.1.2 The Penalties set out in clause 5.4 and 5.6 are subject to adjustment for inflation in accordance with clause 3.3.

5.1.3 The Penalties specified in clauses 5.4.2, 5.5.1, and 5.6.2 relate to the total subsidy including VAT. If Ppenalties are settled by deduction of subsidy paid, the deduction shall be made from the subsidy including VAT. If the Ppenalty is settled by invoicing from the DEA to the Operator, the specified Ppenalty amounts shall mean the invoiced Ppenalties including VAT.

5.1.4 Penalty for a given year is calculated by the DEA in the following year, if incurred as part of the final settlement, cf. clause 3.8. The calculation of Penalties will be based on the documentation regarding the Delivered Quantity in the given year submitted to the DEA in accordance with clause 3.8.1.1 and the Production Balance, cf. clause 5.2 (only applicable to Penalties related to the Additional Quantity and the Minimum Quantity).

5.2 Production Balance

5.2.1 To calculate Penalties in accordance with the provisions set out in this Appendix the DEA will keep a record of the Operator's performance regarding the Contracted Quantity for each year of operation (the Production Balance). For each year of operation, the record shall state the following information:

a) the Contracted Quantity for each year, cf. Appendix 7, Subsidy and costs

b) the Delivered Quantity in each year based on the documentation regarding the Delivered Quantity submitted to the DEA in accordance with clause 3.8.1.1.

c) the difference between the Contracted Quantity for a given year, cf. item (a) above and the Delivered Quantity in the given year, cf. item (b) above (the over- or underperformance in a given year, as the case may be)

d) an Accumulated Production Balance at year-end based on the accumulation of the over- and underperformance of the previous years, cf. item (c) above.

5.2.2 Each year the Production Balance will be updated by the DEA based on the documentation regarding the Delivered Quantity for the given year and the calculation of Penalty for the given year, if incurred, cf. clause 5.2.3 and 5.2.6.

5.2.3 Penalties related to the Additional Quantity and the Minimum Quantity are based on the Accumulated Production Balance for the given year, i.e., the Operator's non-performance will only be subject to Penalty to the extent that the underperformance for the given year (i.e., the difference between the Delivered Quantity in the given year and the Contracted Quantity for the given year) exceeds the Accumulated Production Balance at year-end for the year prior to the given year, cf. the example in clause 5.2.5.

5.2.4 If the Contracted Quantity for a given year includes Additional Quantity, the Operator's non-performance that results in an Accumulated Production Balance Deficit at year-end of the given year will first be considered as default resulting in Penalties regarding the Additional Quantity. If the Accumulated Production Balance Deficit for the given year exceeds the Additional Quantity in the given year, the Penalty related to the Minimum Quantity will apply to a quantity equal to the difference between the Accumulated Production Balance Deficit and the Additional Quantity, cf. the example in clause 5.2.5.

5.2.5 The Production Balance is illustrated by the example below:

Year	Contracted Quantity (tonnes)		Delivered Quantity (tonnes)	Over/under performance of given year	Accumulated Production Balance at year-end (tonnes)
	Minimum Quantity	Additional Quantity			
2026	400,000	50,000	460,000	10,000	10,000
2027	400,000	100,000	520,000	20,000	30,000
2028	400,000	100,000	520,000	20,000	50,000
2029	400,000	100,000	300,000	-200,000	-150,000

In the example, the Penalty for year 2029 based on the Accumulated Production Balance Deficit at year-end 2029 (-150,000 tonnes) will be calculated as the sum of the Penalty related to the Additional Quantity (100,000 tonnes), cf. clause 5.5 and the Penalty related to Minimum Quantity (50,000 tonnes), cf. clause 5.6

5.2.6 The Accumulated Production Balance will be adjusted due to the Operator's non-performance in the given year, i.e., the difference between the Contracted Quantity for the given year and the Delivered Quantity in the given year as follows:

(i) to the extent that the Operator's non-performance in a given year is not subject to Penalty due to the circumstances set out in clause 5.3, the quantity exempted from Penalty will not reduce the Accumulated Production Balance in the given year,

(ii) to the extent that the Operator's non-performance in a given year cannot be exempted from Penalty due to the circumstances set out in clause 5.3, the quantity not exempted from Penalty will reduce the Accumulated Production Balance in the given year,

(iii) if the Operator's non-performance in a given year is subject to Penalty (i.e., the Accumulated Production Balance adjusted in accordance with item (i) and item (ii) above shows a deficit) the Accumulated Production Balance will with effect from the beginning of the year following the given year be reset to zero (0).

5.2.7 The Operator has the option not to use the Accumulated Production Balance to compensate for a production deficit in a given year, or to only partly use the Accumulated Production Balance to compensate for a production deficit in a given year. If the Operator chooses to use this option, the Operator must inform the DEA about how much of the Accumulated Production Balance to use for compensation of the production deficit, and how much of the Accumulated Production Balance to retain. This information must be given no later than the submission of documentation regarding the Delivered Quantity and realised CO_2 composition (March after each year of Operation, cf. Clause 3.2).

5.2.8 If the Operator chooses to use only a part of the Accumulated Production Balance to compensate for a production deficit, Penalties shall be calculated based on the Delivered Quantity plus the quantity from the Accumulated Production Balance that is used.

5.2.9 If the Operator chooses to use only a part of the Accumulated Production Balance to compensate for underperformance, the Accumulated Production Balance at year-end is calculated by the following principles:

i. The Contracted Quantity is subtracted from the Accumulated Production Balance

ii. The Delivered Quantity is added to the Accumulated Production Balance

iii. The quantity from the Accumulated Production Balance that is used to compensate for the production deficit is subtracted from the Accumulated Production Balance

iv. The quantity which forms the basis for the calculation of Penalties is added to the Accumulated Production Balance

5.3 Exemption from Penalty

5.3.1 The Operator's non-performance of the obligation to deliver the Contracted 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:

(i) Unplanned outages or other unplanned production stoppages in the primary production/CO_2 source to a level which make it impossible for the Operator to deliver the Contracted Quantity, provided that the outage/stoppage is not attributable to gross negligence or wilful misconduct of the Operator

(ii) 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

(iii) Production or energy optimisation which leads to reduced CO_2 generation from the source to a level which makes it impossible for the Operator to deliver the Contracted Quantity

5.3.2 If the Operator considers that non-performance is caused by one of the circumstances it is 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.

5.3.3 If the Operator can document that the non-performance is due to one of the circumstances above, the quantity not delivered due to the said circumstance, will not be considered as an underperformance, that will be deducted in the Accumulated Production Balance for the given year, cf. clause 5.2.6.

5.3.4 The Operator shall not be entitled to any compensation in case of the circumstances in clause 5.3.1. In case of a partial delivery of the Contracted Quantity, payment of the delivered quantity of CO_2 will be made in accordance with the provisions of this Appendix.

5.4 Penalties related to the Ramp-up Quantity

5.4.1 In case the Operator's non-performance regarding the Ramp-up Quantity, the Operator shall pay a Penalty based on the Penalty per tonne CO_2 set out in clause 5.4.2 and the difference between the Delivered Quantity in the Ramp-up phase and the Ramp-Up Quantity.

5.4.2 Penalty level = DKK 1,800 per tonne (2022 price level) * ICF

5.4.3 The calculation of the Penalty is illustrated by the example below:

Example: Non-performance regarding the Ramp-up Quantity

At the end of operational year 2025 the Operator is in default regarding the Ramp-up Quantity:

Parameter	Value	Comment
Ramp-up Quantity	2025: 300,000 tonnes	Quantity which the Operator has committed to deliver during Ramp-up phase
Delivered Quantity	2025: 280,000 tonnes	The actual Delivered Quantity
ICF_{2026}	106.7	Cf. clause 3.3

At the end of operational year 2025 the Operator is in default regarding the Ramp-up Quantity by 20,000 tonnes. The Penalty regarding the Ramp-up Quantity is:

$$Penalty = Penalty\ level * ICF_{2026} * Accumulated\ Balance\ at\ year\ end$$

$$Penalty = 1{,}800 \frac{DKK}{tonne} * 106.7\% * 20{,}000\ tonnes = \mathbf{38.412\ million\ DKK}$$

5.5 Penalties related to the Additional Quantity

In case the Operator's non-performance results in an Accumulated Production Balance Deficit regarding the Additional Quantity in a given year, the Operator shall pay a Penalty based on the Penalty per tonne CO_2 set out in clause 5.5.1 and the Accumulated Production Balance Deficit for the given year, however, maximized by the Additional Quantity for the given year.

5.5.1 Penalty level = DKK 400 per tonne (2022 price level) * ICF.

5.5.2 Calculation of the Penalty is illustrated by the example below:

Example: Non-performance regarding the Additional Quantity

At the end of operational year, 2029 the Operator is in default regarding the Additional Quantity by the quantity equal to the Production Balance in 2029:

Year	Contracted Quantity (tonnes) (Minimum Quantity + Additional Quantity)	Delivered Quantity (tonnes)	Over/under performance of given year (tonnes)	Accumulated balance at year-end (tonnes) The Production Balance
2026	450,000	460,000	10,000	10,000
2027	500,000	520,000	20,000	30,000
2028	500,000	520,000	20,000	50,000
2029	500,000	400,000	-100,000	**-50,000**

Notice that the Accumulated Production Balance with effect from 2030 is reset to zero (0).

The Penalty regarding the Additional Quantity is:

$$Penalty = Penalty\ level * ICF_{2029} * Production\ Balance\ at\ year\ end$$

$$Penalty = \frac{400DKK}{tonne} * 112.9 * 50{,}000\ tonnes = \mathbf{51.753\ MDKK}$$

5.6 Penalties related to the Minimum Quantity

5.6.1 In case of the Operator's non-performance in a given year results in an Accumulated Production Balance Deficit regarding the Minimum Quantity, the Operator shall pay a Penalty of a fixed amount based on the Accumulated Production Balance Deficit as set out in clause 5.6.2.

The Penalty is calculated based on the formula as specified below and is subject to adjustment for inflation in accordance with clause 3.3.

$$Penalty\ (\%) = e^{c\ x\ ln\left[\frac{(PS - PS_{MIN(\%)})}{(100\,\% - PS_{(MIN(\%))})}\right]}$$

*Penalty (DKK) = Penalty (Max) - (Penalty (Max) * Penalty (%))*

Item	Explanation
C	Steepness of the curve used to calculate the Ppenalty. **1.5** is used as Steepness factor for the calculation of Penalty related to Minimum Quantity.
PS	Performance Score. The actual % of contracted quantity CO_2 delivered for a given year
$PS_{MIN(\%)}$	Performance percentage for when maximum Ppenalty is reached. The Performance percentage is set to **50%** for the calculation of Penalty related to Minimum Quantity.
Penalty (%)	Calculated performance percentage used to calculate the Penalty in DKK
Penalty (DKK)	Calculated Penalty (DKK) related to Minimum Quantity
Penalty (Max)	Maximum Ppenalty related to Minimum Quantity, which can be incurred per year is **110,000,000 DKK * ICF_{Year}**

5.6.2 Calculation of the Penalty is illustrated by the example below:

Example: Non-performance regarding the Minimum Quantity

The Contracted Quantity is for the sake of example equal to the Minimum Quantity (i.e. the Operator is not obliged to deliver any Additional Quantity). At the end of operational year 2029 the Operator is in default regarding the Minimum Quantity.

At the end of operational year 2029, the Operator is in default regarding the Minimum Quantity by the quantity equal to the Production Balance in 2029:

Year	**Contracted Quantity (tonnes)** (Minimum Quantity)	**Delivered Quantity (tonnes)**	**Over/under performance of given year**	**Accumulated balance at year-end ('tonnes)**
2027	400,000	420,000	30,000	30,000
2028	400,000	420,000	20,000	50,000
2029	400,000	300,000	-100,000	**-50,000**

The Penalty regarding the Minimum Quantity is:

$$Penalty = Penalty\ level\ for\ 50{,}000\ tonnes * ICF_{2029}$$

$$Penalty = 38.553\ MDKK * 112.9\% = \mathbf{43.526\ million\ DKK}$$

5.6.3 Example of combined Ppenalty for Minimum Quantity and Additional Quantity:

Example: Non-performance regarding Additional Quantity and Minimum Quantity

In the example 5.2.5the Operator will incur Penalties for Additional Quantity as well as Minimum Quantity

Accumulated Production Balance Deficit at year-end	150,000 tonnes
Additional Quantity	100,000 tonnes
Accumulated Production Balance Deficit related to Additional Quantity	100,000 tonnes
Accumulated Production Balance Deficit related to Minimum Quantity = Accumulated Production Balance Deficit at year end - Accumulated Production Balance Deficit related to Additional Quantity	150,000 tonnes - 100,000 tonnes = 50,000 tonnes
Total Penalty before inflation	100,000 tonnes * 400 DKK/tonne + 38,553,000 DKK = 78,553,000 DKK
Total Penalty (2029)	78,553,000 DKK * 112.9% = 88,686,000 DKK

6. Examples

6.1 Calculation of the Subsidy Cap

The Subsidy Cap for 2029 is calculated as:

Subsidy Cap (2022 price level)	408.4 MDKK
ICF_{2029}	112.9
Subsidy Cap 2029	408.4 * 112.9% = 461.08 MDKK

6.2 Calculation of the Settlement Rate

For an Operator only storing biogenic CO_2 the Settlement Rate is calculated as:

Offered Rate	708.9 DKK/tonne
ICF_{2029}	112.9
Settlement Rate	708.9 * 112.9% = 800.39 DKK/tonne

For an Operator storing a mix of Biogenic and Fossil (EUA) CO_2 and assuming no avoided CO_2 related taxes is relevant the Settlement Rate is calculated as:

Offered Rate	708.9 DKK/tonne
ICF_{2029}	112.9
Baseline Fossil (EUA) Fraction	50%
Forecast Fossil (EUA) fraction	45%

Baseline EUA Price	726 DKK/tonne
EUA Forward Price	850 DKK/tonne
Offered Rate * ICF	800 DKK/tonne
Baseline value from EUA Baseline Fossil (EUA) Fraction * Baseline EUA Price * ICF	 50% * 726 DKK/tonne * 112.9% = 409.83 DKK/tonne
Forecast value from EUA Forecast Fossil (EUA) Fraction * EUA Forward Price	 45% * 850 DKK/tonne = 382.5 DKK/tonne
Settlement Rate	800 DKK/tonne +409.82 DKK/tonne -382.5 DKK/tonne =827.33 DKK/tonne

For an Operator storing a mix of Biogenic and Fossil (EUA) CO_2, who is not subject to CO_2 related tax and who has a reduction in the Fossil (EUA) CO_2 of more than 10% points below the Baseline Fossil (EUA) Fraction, the Settlement Rate is calculated as:

Offered Rate	708.9 DKK/tonne
ICF_{2029}	112.9
Baseline Fossil (EUA) Fraction	50%
Forecast Fossil (EUA) fraction	35%
Baseline EUA Price	726 DKK/tonne
EUA Forward Price	850 DKK/tonne
Offered Rate * ICF	800 DKK/tonne
Baseline value from EUA Baseline Fossil (EUA) Fraction *Baseline EUA Price * ICF	 50% * 726 DKK/tonne * 112.9% = 409.83 DKK/tonne
Forecast value from EUA Baseline Fossil (EUA) Fraction – 10% points * EUA Forward Price	 40% * 850 DKK/tonne = 340 DKK/tonne
Settlement Rate	800 DKK/tonne +409.83 DKK/tonne -340 DKK/tonne =869.83 DKK/tonne

6.3 Calculation of the Preliminary Adjusted Settlement Rate and Final Settlement Rate

The Preliminary Adjusted Settlement Rate and Final Settlement Rate are calculated using the same principles as the Settlement Rate but using updated forecasts (provided in November by the Operator cf. clauses 2.1.19 and 2.1.20) and realised values (provided in March by the Operator, cf. clause 3.8.1.1), respectively.

Parameter	Settlement Rate	Preliminary Adjusted Settlement Rate	Final Settlement Rate
Offered Rate	Offered Rate		
Baseline CO_2 related tax	Tax savings baseline as provided by the Operator in Appendix 7 – Subsidy and costs		
Baseline Fossil (EUA) Fraction	Baseline Fossil (EUA) Fraction as provided by the Operator in Appendix 7 – Subsidy and costs		
Baseline EUA price	Baseline EUA price, cf. clause 3.5.5.3		
EUA Forward Price	EUA Forward Price cf. clause 3.5.5.4		
Inflation Correction Factor	The ICF as calculated in accordance with clause 3.3		
Fossil (EUA) Fraction	The Forecast Fossil (EUA) Fraction	The Updated Forecast Fossil (EUA) Fraction	The Actual Fossil (EUA) Fraction
CO_2 related tax savings	Forecast CO_2 Related Tax Savings	Adjusted Forecast CO_2 Related Tax Savings	Realised CO_2 related tax savings as reported in the Annual Financial Report
Quantity	The Annual Forecast Quantity	The Updated Annual Forecast Quantity	Delivered Quantity

Parameter	Preliminary Adjusted Settlement Rate	Final Settlement Rate
Offered Rate	708.59 DKK/tonne	*idem*
ICF_{2029}	112.9	*idem*
Offered Rate * ICF	800 DKK/tonne	*idem*
Quantity	Updated Annual Forecast Quantity: 400,000 tonnes	Delivered Quantity: 410,000 tonnes
Baseline CO_2-related tax savings	20.5 MDKK	*idem*
Baseline CO_2 related tax savings * ICF	23.14 MDKK	*idem*
CO_2 related tax savings	Adjusted Forecast CO_2 Related Tax Savings:	Realised CO_2 related tax savings as reported

	28.5 MDKK	in the AnnualFinancial Report: 29.21 MDKK
Baseline Fossil (EUA) Fraction	50%	*idem*
Fossil (EUA) fraction	The Updated Forecast Fossil (EUA) Fraction 39%	The Actual Fossil (EUA) Fraction: 41%
Baseline EUA Price	726 DKK/tonne	*idem*
EUA Forward Price	850 DKK/tonne	*idem*
Baseline value from EUA [A] Baseline Fossil (EUA) Fraction * Baseline EUA Price * ICF	50% * 726 DKK/tonne * 112.9 = 409.83 DKK/tonne	*idem*
Value from saved EUA	*Updated forecast value from EUA:* The Updated Forecast Fossil (EUA) Fraction* EUA Forward Price 40% Note * 850 DKK/tonne = 340 DKK/tonne	*Realised value from EUA:* The Actual Fossil (EUA) Fraction * EUA Forward Price 41% * 850 DKK/tonne = 348.5 DKK/tonne
ΔCO_2 related tax savings / tonne *[B]*	*Forecast change in tax savings compared to baseline:* Tax savings baseline * ICF - Forecast CO_2 Related Tax Savings (23.14 28.5) =-5.36 MDKK *Forecast change in tax savings per tonne:* Forecast change in tax savings (per above) / The Updated Annual Forecast Quantity -5.36M/400,000 = -13.40 DKK/tonne	*Realised change in tax savings compared to baseline:* Tax savings baseline * ICF - Realised CO_2 Related Tax (23.14 - 29.21) = -6.07 MDKK *Realised change in tax savings per tonne:* Realised tax savings /Delivered Quantity -6.07M/400,000 =-15.18 DKK/tonne
Applied Settlement Rate: Offered rate *ICF +Forecast Fossil (EUA) Fraction * EUA Baseline * ICF[A] - Fossil (EUA) Fraction * EUA Forward Price + ΔCO_2 related tax savings /	*Preliminary Adjusted Settlement Rate* 800.0 DKK/tonne +409.82 DKK/tonne -(40% *850 DKK/tonne) + (-13.40 DKK/tonne	*Final Settlement Rate* 800.0 DKK/tonne +409.82 DKK/tonne -(41% *850 DKK/tonne) + (-15.18) DKK/tonne

tonne[B]	=856.42 DKK/tonne	=846.14 DKK/tonne
Note As the difference between the baseline and realised values is >10% points in favour of the DEA, the applied value is the baseline value -10% points		

6.4 Application of the Preliminary Adjusted Settlement Rate and Final Settlement Rate

The Preliminary Adjusted Settlement Rate is activated in the case when it is higher than the Settlement Rate and is otherwise ignored.

The Final Settlement Rate is applied:

- If the Final Settlement Rate is lower than Settlement Rate, and the Preliminary Adjusted Settlement Rate has not been activated
- If the Final Settlement Rate is lower than the Adjusted Settlement Rate, and the Preliminary Adjusted Settlement Rate has been activated.

This is illustrated in the examples below.

In all examples the Delivered Quantity is 500,000 tonnes CO_2.

Example 1		
Settlement Rate	820	DKK/tonne CO_2
Adjusted Settlement Rate	830	DKK/tonne CO_2
Final Settlement Rate	840	DKK/tonne CO_2
January	As the Preliminary Adjusted Settlement Rate is higher than the Settlement Rate, the Operator is compensated for the difference between the rates. The additional subsidy invoiced by the operator no later than 10 January after the year of operation is: (Preliminary Adjusted Settlement Rate – Settlement Rate) * Delivered Quantity *Thus* (830 DKK/tonne CO_2 – 820 DKK/tonne CO_2) * 500,000 tonnes CO_2 = 5,000,000 DKK	
April	The Final Settlement Rate is higher than the Adjusted Settlement Rate, and the Preliminary Adjusted Settlement Rate has been activated. As the Final Settlement Rate is only activated for downward regulation, no further action is taken.	

Example 2		
Settlement Rate	820	DKK/tonne CO_2
Adjusted Settlement Rate	830	DKK/tonne CO_2
Final Settlement Rate	810	DKK/tonne CO_2
January	As the Preliminary Adjusted Settlement Rate is higher than the Settlement Rate, the Operator is compensated for the difference between the rates. As in example 1 the additional subsidy invoiced by the operator no later than 10 January after the year of operation is: (Preliminary Adjusted Settlement Rate – Settlement Rate) * Delivered Quantity *Thus* (830 DKK/tonne CO_2 – 820 DKK/tonne CO_2) * 500,000 tonnes CO_2 = 5,000,000 DKK	
April	The Final Settlement Rate is less than the Adjusted Settlement Rate, and the Preliminary Adjusted Settlement Rate has been activated. The subsidy is reduced by the difference between the two rates multiplied by the delivered volume: (Preliminary Adjusted Settlement Rate – Final Settlement Rate) * Delivered Quantity *Thus* (830 DKK/tonne CO_2 – 810 DKK/tonne CO_2) * 500,000 tonnes CO_2 = 10,000,000 DKK	

Example 3		
Settlement Rate	830	DKK/tonne CO_2
Adjusted Settlement Rate	820	DKK/tonne CO_2
Final Settlement Rate	810	DKK/tonne CO_2
January	As the Preliminary Adjusted Settlement Rate is lower than the Settlement Rate, no action is taken on the basis of the Adjusted Settlement Rate.	
April	As the Preliminary Adjusted Settlement Rate has not been activated, any adjustment is based on the difference between the Settlement Rate and the Final Settlement Rate. As the Final Settlement Rate is less than the Settlement Rate, the subsidy is reduced by the difference between the two rates times the delivered volume:	

	(Settlement Rate – Final Settlement Rate) * Delivered Quantity *Thus* (830 DKK/tonne CO_2 – 810 DKK/tonne CO_2) * 500,000 tonnes CO_2 = 10,000,000 DKK

Example 4		
Settlement Rate	820	DKK/tonne CO_2
Adjusted Settlement Rate	810	DKK/tonne CO_2
Final Settlement Rate	830	DKK/tonne CO_2
January	As the Preliminary Adjusted Settlement Rate is lower than the Settlement Rate, no action is taken on the basis of the Adjusted Settlement Rate.	
April	As the Preliminary Adjusted Settlement Rate has not been activated, any adjustment is based on the difference between the Settlement Rate and the Final Settlement Rate. As the Final Settlement Rate is higher than the Settlement Rate, no action is taken.	