



# 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	5
2.	DEFINITIONS	5
3.	INTRODUCTION TO THE SUBSIDY SCHEME	10
4.	INVOICING	11
5.	INDEXATION	12
5.1	Introduction	12
5.2	Indexation of the Offered Rate	13
5.3	Indexation of the Baseline Total Carbon Credit Income & Baseline EUA Savings Per Tonne	13
5.4	Indexation of the Baseline Tax Savings Per Tonne	14
6.	CALCULATION OF SUBSIDY RATE	15
7.	VARIABLES & PARAMETERS USED FOR DETERMINING AND CALCULATING SUBSIDY RATE DEDUCTIONS	19
8.	DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING TOTAL EUA & CO <sub>2</sub> -RELATED TAX SAVINGS (FOSSIL CO <sub>2</sub> )	22
8.1	Introduction	22
8.2	Calculation of provisional EUA savings per tonne	23
8.3	Calculation of provisional tax savings per tonne	23
8.4	Determination and calculation of Subsidy Rate deduction	23
9.	DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING EXCESS CARBON CREDIT INCOME (BIOGENIC AND ATMOSPHERIC CO <sub>2</sub> )	24
9.1	Introduction	24
9.2	Calculation of provisional excess Carbon Credit income per tonne	25
9.3	Determination and calculation of Subsidy Rate deduction	25
10.	DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING OTHER ALLOWANCES SAVINGS (BIOGENIC AND ATMOSPHERIC CO <sub>2</sub> )	26
10.1	Introduction	26
10.2	Preconditions for including allowances savings if participation in the ETS becomes mandatory (Biogenic CO <sub>2</sub> )	27
10.3	Preconditions for including allowances savings if participation in the ETS becomes voluntary (Biogenic and Atmospheric CO <sub>2</sub> )	27
10.4	Calculation of the provisional biogenic allowances savings, provisional atmospheric allowances savings & the provisional decreased Carbon Credit income per tonne	28
10.5	Determination of Subsidy Rate deduction if participation in the ETS becomes mandatory (Biogenic CO <sub>2</sub> )	29
10.6	Determination of a Subsidy Rate deduction if participation in the ETS becomes voluntary (Biogenic and Atmospheric CO <sub>2</sub> )	30
11.	VARIABLES & PARAMETERS USED FOR ANNUAL SETTLEMENT	30



12.	ANNUAL SETTLEMENT	32
12.1	Introduction	32
12.2	Assessing the need for calculating an Actual Subsidy Rate (step 1)	32
12.3	Calculation of the Actual Subsidy Rate (step 2)	33
12.4	Calculation of Actual Subsidy (step 3)	44
13.	OTHER REPAYMENT CLAIMS	46
13.1	Reimbursement of CO <sub>2</sub> Tax and/or Emission Tax	46
13.2	Compliance with applicable sustainability criteria for renewable energy production	46
14.	PENALTIES	47
14.1	Non-performance regarding the Contracted Quantity	47
14.2	Exemptions for non-performance regarding the Annual Quantity	48
14.3	Penalties related to the Annual Quantity	50



## 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<sub>2</sub> 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 tenderer is not obliged to specify any 2029-Quantity*]
- Actual Atmospheric Allowances Fraction means the actual fraction (in percentage) of the Verified Delivered Quantity for a given calendar year subject to atmospheric allowances.<sup>1</sup>
- Actual Biogenic Allowances Fraction means the actual fraction (in percentage) of the Verified Delivered Quantity for a given calendar year subject to biogenic allowances.<sup>2</sup>
- Actual Fossil EUA Fraction means the actual fossil fraction (in percentage) of the Verified Delivered Quantity for 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<sub>2</sub> excluding VAT calculated by the DEA for the Annual Settlement for a given calendar year in accordance with Appendix 5, Subsidy and economy scheme.

---

<sup>1</sup> This becomes relevant if future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes voluntary for Operators capturing and Storing Atmospheric CO<sub>2</sub>.

<sup>2</sup> This becomes relevant if future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes either mandatory or voluntary for emitters of Biogenic CO<sub>2</sub>.



- Actual Total Carbon Credit Income means the total income in DKK generated by Carbon Credits related to the Verified Delivered Quantity for a given calendar year.
- Actual Total Tax Savings means a total amount in DKK based on the sum of the Emission Tax and CO<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub>.
- 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<sub>2</sub> means CO<sub>2</sub> 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<sub>2</sub> 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 for 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<sub>2</sub> calculated by dividing the Baseline Total Tax Savings for 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 - e.g. income based on concluded agreements and/or a reservation corresponding to expectations to future agreements - 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<sub>2</sub> 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<sub>2</sub> means CO<sub>2</sub> 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<sub>2</sub>, the biomass input, from which the CO<sub>2</sub> 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. "carbon removal certificates", "voluntary credits" and "voluntary certificates") representing the removal of CO<sub>2</sub> through verified CO<sub>2</sub> removal activities, which are tradable. For the purpose of providing information of the quantity of Carbon Credits and the value pr. Carbon Credit in appendix 6, a Carbon Credit represents the removal of one metric tonne of CO<sub>2</sub>.
- CO<sub>2</sub> Tax (in Danish: CO<sub>2</sub>-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<sup>3</sup> 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

---

<sup>3</sup> 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<sup>4</sup> no. 683 of 11 June 2024.

- Contracted Quantity means the quantity of CO<sub>2</sub> 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 calculated as the sum of the Annual Quantities and the 2029-Quantity, if any.
- Delivered Quantity means the total quantity of CO<sub>2</sub> 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<sub>2</sub>e-emissions from quota covered sectors (Act on emission tax)<sup>5</sup> 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 for a given calendar year, specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.<sup>6</sup>
- Forecast Biogenic Allowances Fraction means the fraction (in percentage) of the Annual Forecast Quantity subject to biogenic allowances for a given calendar year, specified by the Operator in accordance with R-6, Appendix 3, Requirements specification.<sup>7</sup>
- 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.

---

<sup>4</sup> 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.*

<sup>5</sup> In Danish: *Lov om afgift af CO<sub>2</sub>e-emissioner fra kvoteomfattede sektorer (emissionsafgiftsloven), jf. lov nr. 619 af 11. juni 2024.*

<sup>6</sup> This becomes relevant if future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes voluntary for Operators capturing and Storing Atmospheric CO<sub>2</sub>.

<sup>7</sup> This becomes relevant if future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes either mandatory or voluntary for emitters of Biogenic CO<sub>2</sub>.





- 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<sub>2</sub> 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<sub>2</sub> means CO<sub>2</sub> 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<sub>2</sub> in a given period that the calculation of invoiced amount has been based on.
- Offered Rate means the amount in DKK per tonne CO<sub>2</sub> 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<sub>2</sub> storage site where the CO<sub>2</sub> is permanently, geologically stored or the act of permanently, geologically storing CO<sub>2</sub>, including subsurface injection into geological formations such as saline aquifers, depleted reservoirs, or basaltic rock formations that allow for mineralization below the surface.
- 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<sub>2</sub> 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<sub>2</sub> Stored in accordance with the Contract in a given calendar year verified in accordance with R-8, Appendix 3, Requirements specification.



### **3. INTRODUCTION TO THE SUBSIDY SCHEME**

- 3.1 The Subsidy shall be paid per tonne CO<sub>2</sub> Stored in accordance with the Contract. The Subsidy shall be based on the Subsidy Rate (an amount in DKK per tonne CO<sub>2</sub> 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 scheme is based on allocation of funds for each calendar year covering the period 2029 to (and including) 2044. A year of operation is a calendar year. This also applies to the first year of operation regardless of the Commercial Operation Date being, e.g. 30 June 2029, or 1. December 2029.
- 3.3 The Offered Rate is calculated by the Operator based on a project budget taking into account, if relevant:
- Savings of EUA with respect to the Contracted Quantity calculated for each year of operation on the basis of the composition of the Contracted Quantity (Baseline Fossil EUA Fraction) and the projected prices of EUA (Baseline EUA Value), see Baseline EUA Savings Per Tonnes
  - Savings of CO<sub>2</sub> related taxes with respect to the Contracted Quantity calculated for each year of operation on the basis of the composition of the Contracted Quantity and the tax rates applicable to the Contracted Quantity, see Baseline Total Tax Savings Per Tonnes and
  - income generated from Carbon Credits related to the Storage of the Contracted Quantity calculated for each year of operation based on concluded agreements and/or a reservation corresponding to expectations to future agreements, see Baseline Total Carbon Credit Income.
- 3.4 The Subsidy Rate shall be calculated by the DEA based on the Offered Rate subject to indexation, see clause 5.2, and subject to the following deductions as further specified in clause 6 - 10 :
- Increase of savings of EUA and CO<sub>2</sub> related taxes related to the Storage of the Contracted Quantity compared to the baseline values, see clause 8
  - Increase of Carbon Credit income related to the Storage of the Contracted Quantity compared to the baseline values, see clause 9



- if applicable due to future legislation, savings of biogenic and/or atmospheric allowances related to the Storage of the Contracted Quantity, and taking into account any decrease in Carbon Credit income, see clause 10

- 3.5 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.
- 3.6 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.
- 3.7 The Subsidy Rate cannot be less than zero, i.e. negative.
- 3.8 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 12. The Annual Settlement cannot result in an obligation for the DEA to pay further subsidy for the given year. See clause 12 for a detailed breakdown of the Annual Settlement.
- 3.9 In addition to the Annual Settlement, the Operator may be subject to repayment of the subsidy to the DEA in accordance with clause 13.
- 3.10 See Sub-appendix 5.A, Illustration of forecast, invoicing & Annual Settlement, for an overview of the yearly timeline for a) Operators Storing Fossil CO<sub>2</sub>, and b) Operators not Storing Fossil CO<sub>2</sub>. In case of any inconsistencies, Appendix 5 prevails.
- 3.11 See Sub-appendix 5.B, Examples of Subsidy Rate & Annual Settlement calculations, for examples of how the DEA shall 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 month, the Operator shall invoice the DEA based on the Delivered Quantity in the given month multiplied with the Subsidy Rate applicable for the given month plus VAT. Monthly invoicing



is based on the calendar months of the calendar year. The DEA will inform the Operator of the Subsidy Rate as set out in clause 6.5.

- 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 the 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<sub>2</sub> exceeding the Annual Quantity (for 2029, if relevant, the 2029-Quantity), or the 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.<sup>8</sup>
- 4.3 The Operator shall with each invoice provide documentation in accordance with R-7, Appendix 3, Requirements specification (Monthly Report on Delivered Quantity).
- 4.4 Invoices regarding the Delivered Quantity in a given month and the Monthly Report on Delivered Quantity shall be submitted no later than 10 Business Days after the end of the given month. Invoices regarding the last month of the year (based on the Monthly Report on Delivered Quantity for December) 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.

---

<sup>8</sup> 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.



## 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”).<sup>9</sup> 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.<sup>10</sup>

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

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

$CPI_t$  is the consumer price index-value for a given year(t).

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: “Forbrugerprisindeks”) published by the

---

<sup>9</sup> 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.

<sup>10</sup> <https://oes.dk/statsregnskab/finanslov-og-udgiftsopfoelgning/indeks/pris-og-loenforudsætninger/>



Danish Agency for Public Finance and Management (in Danish “Økonomistyrrelsen”).<sup>11</sup> 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.<sup>12</sup>

- 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 a given year, the 2025 value of the Baseline Total Carbon Credit Income must be indexed annually until that year is reached. This is done by first indexing the 2025 value 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(t).

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

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

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

- 5.3.4 The indexed value of 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”)

<sup>11</sup> 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.

<sup>12</sup> <https://oes.dk/statsregnskab/finanslov-og-udgiftsopfoelgning/indeks/pris-og-loenforudsætninger/>



with a two-year lag applied.<sup>13</sup> 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 indexed Baseline Tax Savings Per Tonne for a given year, the 2025 value of the Baseline Tax Savings Per Tonne 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<sup>14</sup>:

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

$NPI_t$  is the net price index-value for a given year(t).

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

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

- 5.4.3 Similarly, to index the Baseline Tax Savings Per Tonne for year 2037 to 2037 prices, the 2025 value of the Baseline Tax Savings Per Tonne for year 2037 would be indexed annually until 2037, using the Consumer Price Index for each intermediate year taking the two-year lag into account, i.e. until 2035<sup>15</sup>.

## 6. CALCULATION OF SUBSIDY RATE

- 6.1 The Subsidy Rate shall be calculated by the DEA as set out in clause 6.2, or, if applicable due to future legislation, as set out in either clause 6.3 or clause 6.4

- 6.2 The Subsidy Rate shall be calculated as follows:

<sup>13</sup> <https://www.statistikbanken.dk/statbank5a/default.asp?w=1920>

<sup>14</sup> The indexation follows the guidelines from the Danish Ministry of Taxation: <https://skm.dk/tal-og-metode/satser/regulering-af-beloebsgraenser/indeksering-af-energiavgifter>.

<sup>15</sup> The indexation follows the guidelines from the Danish Ministry of Taxation: <https://skm.dk/tal-og-metode/satser/regulering-af-beloebsgraenser/indeksering-af-energiavgifter>



$$\text{Subsidy Rate} = \text{Offered Rate}_t - (\Delta\text{Savings}_{EUA} + \Delta\text{Savings}_{tax}) - 0.9 \cdot \text{Excess\_income}_{CarbonCredits}$$

Where:

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

$\Delta\text{Savings}_{EUA}$  is the difference (increase or decrease) in the EUA savings per tonne CO<sub>2</sub> compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 8.

$\Delta\text{Savings}_{tax}$  is the difference (increase or decrease) in the CO<sub>2</sub>-related tax savings per tonne CO<sub>2</sub> compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 8.

$\Delta\text{Savings}_{EUA} + \Delta\text{Savings}_{tax}$  is the total EUA and tax saving per tonne CO<sub>2</sub> and will only be deducted in the calculation of the Subsidy Rate if the sum  $\Delta\text{Savings}_{EUA}$  and  $\Delta\text{Savings}_{tax}$  is strictly positive (i.e. larger than zero), see clause 8.4.

$\text{Excess\_income}_{CarbonCredits}$  is the excess Carbon Credit income per tonne CO<sub>2</sub> for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 9.

- 6.3 If future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes mandatory for emitters of Biogenic CO<sub>2</sub>, and under the preconditions in clause 10.2, 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 shall be calculated as follows:

$$\text{Subsidy Rate} = \text{Offered Rate}_t - (\Delta\text{Savings}_{EUA} + \Delta\text{Savings}_{tax}) - 0.9 \cdot \text{Excess\_income}_{CarbonCredits} - (\text{Savings}_{BiogenicAllowances} + \text{decreased\_income}_{CarbonCredits})$$

Where:

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

$\Delta\text{Savings}_{EUA}$  is the difference (increase or decrease) in the EUA savings per tonne CO<sub>2</sub> compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 8.





$\Delta Savings_{tax}$  is the difference (increase or decrease) in the CO<sub>2</sub>-related tax savings per tonne CO<sub>2</sub> compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 8.

$\Delta Savings_{EUA} + \Delta Savings_{tax}$  is the total EUA and tax saving per tonne CO<sub>2</sub> and will only be deducted in the calculation of the Subsidy Rate if the sum  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  is strictly positive (i.e. larger than zero), see clause 8.4.

$Excess\_income_{CarbonCredits}$  is the excess Carbon Credit income per tonne CO<sub>2</sub> for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 9.

$Savings_{BiogenicAllowances}$  is the savings per tonne CO<sub>2</sub> for the given year in case participation in the ETS becomes mandatory, see clause 10.

$decreased\_income_{CarbonCredits}$  is the decrease in the Carbon Credit income for the given year and will be either a negative value or zero (i.e. cannot be positive), see clause 10.

See clause 10.4 and 10.5 for the determination and calculation of a deduction regarding biogenic allowances under this scenario.

- 6.4 If future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes voluntary for emitters of Biogenic CO<sub>2</sub> and operators capturing Atmospheric CO<sub>2</sub>, and under the preconditions in clause 10.3, 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 shall be calculated as follows:

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

Where:

$\text{Offered Rate}_t$  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<sub>2</sub> compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 8.



$\Delta Savings_{tax}$  is the difference (increase or decrease) in the CO<sub>2</sub>-related tax savings per tonne CO<sub>2</sub> compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 8.

$\Delta Savings_{EUA} + \Delta Savings_{tax}$  is the total EUA and tax saving per tonne CO<sub>2</sub> and will only be deducted in the calculation of the Subsidy Rate if the sum  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  is strictly positive (i.e. larger than zero), see clause 8.4.

$Excess\_income_{CarbonCredits}$  is the excess Carbon Credit income per tonne CO<sub>2</sub> for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 9.

$Savings_{BiogenicAllowances}$  is the savings per tonne CO<sub>2</sub> for the given year in case participation in the ETS becomes voluntary see clause 10.

$decreased\_income_{CarbonCredits}$  is the decrease in the Carbon Credit income for the given year and will be either a negative value or zero (i.e. cannot be positive), see clause 10.

See clause 10.4 and 10.6 for the determination and calculation of a deduction regarding biogenic and/or atmospheric allowances under this scenario.

6.5 The DEA shall calculate the Subsidy Rate and inform the Operator of the Subsidy Rate as follows:

- a) the DEA shall calculate the Subsidy Rate before the end of each month and inform the Operator of the Subsidy Rate no later than on the 20th in the given month (i.e. no later than 20 January, 20 February etc.). This means that the DEA shall calculate a total of twelve individual Subsidy Rates (I-XII) in a given year. Each Subsidy Rate shall apply for the Operator's invoicing of the Delivered Quantity in the given month, i.e. the Subsidy Rate I for January shall apply for invoicing of the Delivered Quantity in January in a given year, Subsidy Rate II for February shall apply for invoicing of the Delivered Quantity in February in a given year etc. The calculation of twelve Subsidy Rates applies if:
  - i) the Operator has specified a Baseline Fossil EUA Fraction for the given year 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 Trading System (ETS), or a similar EU-mandated trading scheme, becomes either mandatory for emitters of Biogenic CO<sub>2</sub> or voluntary for emitters of Biogenic CO<sub>2</sub> and Operator's capturing Atmospheric CO<sub>2</sub> and the Operator has specified a Forecast Atmospheric



Allowances Fraction and/or a Forecast Biogenic Allowances Fraction in the forecast for the given year, see R-6, Appendix 3 Requirement specification

- b) the DEA shall calculate the Subsidy Rate once for a given year and inform the Operator of the Subsidy Rate no later than on the 20 January in a given year. The Subsidy Rate shall be applicable for all the Operator's invoices on Delivered Quantity in the given year. This applies if the Operator is not encompassed by clause a) above.

## **7. VARIABLES & PARAMETERS USED FOR DETERMINING AND CALCULATING SUBSIDY RATE DEDUCTIONS**

- 7.1 In clause 8-10 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 7.5 has been compiled.
- 7.2 All variables and parameters, with the exception of market value of EUA (see clause 7.3) and - if it becomes relevant – the market value of an atmospheric allowance<sup>16</sup> and/or a biogenic allowance<sup>17</sup> (see 7.3 - 7.4), 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.
- 7.3 The market value of EUA, an atmospheric allowance and a biogenic allowance shall be based on prices of 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.

The market value of EUA shall be calculated on a monthly basis (i.e. twelve times per year as a part of the calculation of the Subsidy Rate). The market value of EUA for a given month shall be based on the average price of the CBAM certificates published by the European Commission from the 16<sup>th</sup> in a month prior to the month subject to invoicing up until and including the 15<sup>th</sup> in the month subject to invoicing. This applies for all months in the calendar year, except for January. The market

---

<sup>16</sup> This becomes relevant if future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes voluntary for Operators capturing and Storing Atmospheric CO<sub>2</sub>.

<sup>17</sup> This becomes relevant if future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes either mandatory or voluntary for emitters of Biogenic CO<sub>2</sub>.



value of EUA for January shall be calculated as the average price of the CBAM certificates published by the European Commission from 1 January to 15 January. See also the table below:

Month subject to invoicing	January	February	March	[...]	December
Basis for calculating market value of EUA for the given month subject to invoicing	January 1 ↓ January 15	January 16 ↓ February 15	February 16 ↓ March 15	[...]	November 16 ↓ December 15

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.

7.4 If the prices of CBAM certificates per tonne are not applicable to Biogenic CO<sub>2</sub> and/or Atmospheric CO<sub>2</sub>, or a similar certificate price related to Biogenic CO<sub>2</sub> and/or Atmospheric CO<sub>2</sub> 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 20 September and 20 December in the year prior to the year subject to calculation. 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 price for futures contracts 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.

7.5 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 <sup>18</sup>	Mathematical expression	Unit	Source
Annual Forecast Quantity*	$Q^{forecast}$	Tonnes of CO <sub>2</sub>	Operator's forecast
Annual Quantity*	$Q$	Tonnes of CO <sub>2</sub>	Appendix 6
Baseline EUA Value*	$p_{EUA}^{baseline}$	DKK/tonne	Appendix 6
Baseline EUA Savings Per Tonne*	$S_{EUA}^{baseline}$	DKK/tonne	Appendix 6

<sup>18</sup> Variables/parameters marked with an asterisk (\*) are defined in Appendix 2.



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*	$S_{totaltax}^{baseline}$	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



## **8. DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING TOTAL EUA & CO<sub>2</sub>-RELATED TAX SAVINGS (FOSSIL CO<sub>2</sub>)**

### **8.1 Introduction**

- 8.1.1 Any increase in the total sum of savings related to EUA and CO<sub>2</sub>-related taxes for a given year based on the Operators forecast submitted in accordance with R-6 in Appendix 3, Requirement specification 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 this clause 8 - shall be deducted in the calculation of the Subsidy Rate, see the formulae in clause 6.
- 8.1.2 The DEA shall for each month 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 total EUA savings and CO<sub>2</sub> related tax savings shall be made for each month of a given year. This entails that the DEA shall calculate a total of twelve individual Subsidy Rates for a given year if the Operator has specified a Baseline Fossil EUA Fraction for the given year 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, see clause 6.5.
- 8.1.3 The adjustment regarding the EUA savings, as set out in clause 8, 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<sub>2</sub>-related tax savings, as set out in clause 8, shall apply with the value of the tax savings regardless of whether the Operator is an entity subject to Emission Tax and/or CO<sub>2</sub> 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 respectively the CO<sub>2</sub>-related 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.
- 8.1.4 In order to determine whether a deduction regarding total EUA and CO<sub>2</sub>-related tax savings shall apply for the calculation of the Subsidy Rate for a given invoicing period, see clause 8.4, the DEA shall first calculate the Operator's provisional EUA savings per tonne, see clause 8.2, and provisional tax savings per tonne, see clause 8.3.



## 8.2 Calculation of provisional EUA savings per tonne

- 8.2.1 The DEA shall calculate the provisional EUA savings per tonne for the given month by multiplying the Forecast Fossil EUA Fraction for the given year with the market value EUA for the given month, see clause 7.3, i.e. as follows:

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

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

$p_{EUA_m}^{MV}$  is the market value EUA (DKK/tonne). The m denotes that it is the average market value of EUA for a given month.

## 8.3 Calculation of provisional tax savings per tonne

- 8.3.1 The DEA shall calculate the provisional tax savings per tonne for the given year by dividing the Forecast Total Tax Savings for the given year with the Annual Forecast Quantity for 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<sub>2</sub>).

$f_{tax}^{forecast}$  is the Forecast Total Tax Savings (total income in DKK).

## 8.4 Determination and calculation of Subsidy Rate deduction

- 8.4.1 In order to determine whether a deduction regarding EUA savings and CO<sub>2</sub>-related Tax Savings shall apply for the calculation of the Subsidy Rate for a given invoicing period(i.e. month) the DEA shall calculate the following:

The difference between the 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.

- 8.4.2 If the sum of  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  (i.e.  $\Delta Savings_{EUA} + \Delta Savings_{tax}$ ) 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 6.
- 8.4.3 If the sum of  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  is 0 (i.e. zero) or negative, then no deduction regarding EUA savings and CO<sub>2</sub>-related Tax Savings shall apply and the DEA shall set the value of  $(\Delta Savings_{EUA} + \Delta Savings_{tax})$  at 0 (i.e. zero) when calculating the Subsidy Rate as set out in the applicable formula in clause 6.

## 9. DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING EXCESS CARBON CREDIT INCOME (BIOGENIC AND ATMOSPHERIC CO<sub>2</sub>)

### 9.1 Introduction

- 9.1.1 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 this clause 9 - shall be deducted in the calculation of the Subsidy Rate, see the formulae in clause 6.
- 9.1.2 The DEA shall 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 shall be made once per year. Any potential deduction regarding excess Carbon Credit income will





apply with the same value for each month in the given year i.e. a potential deduction will apply with the same value for all twelve months in a given year. This entails that the DEA shall calculate one Subsidy Rate applicable for the given year, unless twelve individual Subsidy Rates for the given year are required due to calculations of potential deductions in accordance with clause 8 or clause 10, see clause 6.5.

- 9.1.3 The DEA's adjustment regarding the Carbon Credit income as set out in clause 9 will apply regardless of whether the Operator issues the Carbon Credits with respect to the Contracted Quantity or the Operator bases the performance of the Contract on a Sub-Supplier that issues the Carbon Credits with respect to the Contracted Quantity. The calculated excess Carbon Credit income shall be considered as income 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.

## 9.2 Calculation of provisional excess Carbon Credit income per tonne

- 9.2.1 If the Forecast Total Carbon Credit Income for the given year exceeds the index-adjusted Baseline Total Carbon Credit Income for the given year, a deduction shall apply for the calculation of the Subsidy Rate, see clause 9.3.1. In order to determine the size of the deduction per tonne CO<sub>2</sub>, the DEA shall calculate a provisional excess Carbon Credit Income per tonne by subtracting the value of the index-adjusted Baseline Total Carbon Credit Income for the given year from the Forecast Total Carbon Credit Income for the given year and dividing the difference with the Annual Forecast Quantity of the given year, as follows:

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

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

$I_{CCt}^{baseline}$  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<sub>2</sub>)

## 9.3 Determination and calculation of Subsidy Rate deduction

- 9.3.1 If the Forecast Total Carbon Credit Income for the given year exceeds the index-adjusted Baseline Total Carbon Credit Income for 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 6.

- 9.3.2 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 shall apply and the DEA shall set the value of *Excess\_income<sub>CarbonCredits</sub>* (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 6.

## 10. DETERMINATION AND CALCULATION OF SUBSIDY RATE DEDUCTION REGARDING OTHER ALLOWANCES SAVINGS (BIOGENIC AND ATMOSPHERIC CO<sub>2</sub>)

### 10.1 Introduction

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

- a) **mandatory** for emitters of Biogenic CO<sub>2</sub>. 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 10.2.1 are met, then all savings related to allowances with respect to the Contracted Quantity under such a scheme shall be included in the DEA's calculation of the Subsidy Rate, see clause 10.5.

or:

- b) **voluntary** for emitters of Biogenic CO<sub>2</sub> and for Operators capturing Atmospheric CO<sub>2</sub>. 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 10.3.1 are met, 90 % of all savings related to allowances with respect to the Contracted Quantity under such a scheme shall be included in the DEA's calculation of the Subsidy Rate, see clause 10.6.

- 10.1.2 The adjustment regarding biogenic allowances and atmospheric allowances, as set out in clause 10, shall apply with the value of the allowances regardless of whether the Operator is an entity subject to such allowances with respect to the Contracted Quantity (or issues such allowances) or the Operator bases the performance of the Contract on a Sub-Supplier subject to such allowances with respect to the Contracted Quantity (or issues such allowances). The calculated savings related to allowances 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.



- 10.1.3 The inclusion into the ETS, or a similar EU-mandated trading scheme, may negatively affect the Carbon Credit income for 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 10.4 - 10.6.
- 10.1.4 For Operators Storing Biogenic and/or Atmospheric CO<sub>2</sub> subject to such allowances, the DEA shall calculate the Operator's savings for each month. This entails that the DEA shall calculate a total of twelve individual Subsidy Rates for a given year, see clause 6.5.
- 10.2 **Preconditions for including allowances savings if participation in the ETS becomes mandatory (Biogenic CO<sub>2</sub>)**
- 10.2.1 If future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes mandatory for emitters of Biogenic CO<sub>2</sub>, the DEA shall include all savings related to allowances with respect to the Contracted Quantity under such a scheme in the calculation of the Subsidy Rate, if:
- (a) The emission of Biogenic CO<sub>2</sub> 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 another entity that the Operator bases the performance of the Contract on) or purchased by the Operator (or another entity that the Operator bases the performance of the Contract on); and
  - (b) The Storage of CO<sub>2</sub> under the Contract 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.
- 10.3 **Preconditions for including allowances savings if participation in the ETS becomes voluntary (Biogenic and Atmospheric CO<sub>2</sub>)**
- 10.3.1 If future legislation entails that participation in the Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes voluntary for emitters of Biogenic CO<sub>2</sub> and operators capturing Atmospheric CO<sub>2</sub>, the DEA shall include 90 % of all savings related to allowances with respect to the Contracted Quantity under such a scheme in the calculation of the Subsidy Rate, if:
- (a) The Storage of CO<sub>2</sub> 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 of the contract; and
- (c) The Storage of CO<sub>2</sub> under the Contract can result in a reduced cost, or an income generated by the Storage of Delivered Quantity.

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

10.4.1 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 10.5 and 10.6, the DEA shall calculate the provisional biogenic allowances savings per tonne, see clause 10.4.2, and/or the provisional atmospheric allowances savings per tonne, see clause 10.4.3 and provisional decreased Carbon Credit income per tonne, see clause 10.4.4.

10.4.2 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 for the given month, see clause 7.3 - 7.4, as follows:

$$Savings_{biogenicAllowances}^{provisional} = (f_{bioCO_2}^{forecast} \cdot A_{bioCO_2m}^{MV})$$

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

$f_{bioCO_2}^{forecast}$  is Forecast Biogenic Allowances Fraction (percentage)

$A_{bioCO_2m}^{MV}$  is market value biogenic allowances (DKK/tonne). The m denotes that it is the average market value of biogenic allowances for a given month.

10.4.3 The DEA shall calculate the provisional atmospheric allowances savings in the same manner as set out in clause 10.4.2 by using the Forecast Atmospheric Allowances Fraction for the given year and the market value atmospheric allowances for the given month, see clause 7.3 - 7.4.

10.4.4 If the Forecast Total Carbon Credit Income for the given year is less than the index-adjusted Baseline Total Carbon Credit Income for the given year, then a deduction regarding biogenic and/or atmospheric allowances shall be offset by the decrease in Carbon Credit income for the given year, as set out in the formula in clause 6.



In order to determine the size of this offset per tonne CO<sub>2</sub>, 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 for the given year from the Forecast Total Carbon Credit Income for the given year and subsequently dividing the difference with the Annual Forecast Quantity for the given year, i.e. as follows:

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

$I_{CC}^{forecast}$  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 is adjusted in accordance with 5.3 for the given year.

$Q^{forecast}$  is the Annual Forecast Quantity (tonnes of CO<sub>2</sub>).

10.4.5 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 for the given year (see clause 9), then the value of  $Decreased_{income_{CarbonCredits}}$  shall be set as 0 (i.e. zero) when performing the calculation in clause 10.5 and 10.6 and when calculating the Subsidy Rate as set out in the applicable formulae in either clause 6.3 or clause 6.4.

#### 10.5 **Determination of Subsidy Rate deduction if participation in the ETS becomes mandatory (Biogenic CO<sub>2</sub>)**

10.5.1 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 6.3.

10.5.2 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 the formula in clause 6.3.



## 10.6 Determination of a Subsidy Rate deduction if participation in the ETS becomes voluntary (Biogenic and Atmospheric CO<sub>2</sub>)

10.6.1 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 6.4.

10.6.2 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 6.4.

## 11. VARIABLES & PARAMETERS USED FOR ANNUAL SETTLEMENT

11.1 In clause 12, 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 11.3 has been compiled.

11.2 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.

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

Variable/parameter <sup>19</sup>	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

<sup>19</sup> Variables/parameters marked with an asterisk (\*) are defined in Appendix 2.



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*	$S_{totaltax}^{actual}$	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*	$S_{totaltax}^{baseline}$	Total income in DKK	Appendix 6
Invoiced amount	$Inv^{amount}$	Total amount in DKK	Operator's invoice
Invoiced Quantity*	$Q^{Invoice}$	Tonnes of CO <sub>2</sub>	Operator's invoice
Verified Delivered Quantity*	$Q^{verified}$	Tonnes of CO <sub>2</sub>	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
--	------------------------------	-----------	-----------------

## 12. ANNUAL SETTLEMENT

### 12.1 Introduction

- 12.1.1 The purpose of the Annual Settlement is to calculate whether excess subsidy has been paid to the Operator for 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 12.
- 12.1.2 If the result of the Annual Settlement shows that excess subsidy has been paid to the Operator for a given year, the Operator shall repay the excess amount.
- 12.1.3 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.
- 12.1.4 The outcome of the Annual Settlement cannot result in an obligation for the DEA to pay further subsidy for a given year.
- 12.1.5 The Annual Settlement shall 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 12.2.
  - Step 2: Calculation of the Actual Subsidy Rate, see clause 12.3.
  - Step 3: Calculation of Actual Subsidy, see clause 12.4.

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

- 12.2.1 The DEA shall only calculate an Actual Subsidy Rate in accordance with step 2 if one or more of the following circumstances occur for 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

12.2.2 If none of the circumstances listed in clause 12.2.1 above occur for the given year, then the DEA shall not calculate an Actual Subsidy Rate for the given year. This means that step 2, i.e. clause 12.3, will not be relevant for the Operator. However, step 3 will remain relevant for the Operator, see clause 12.4.

### 12.3 Calculation of the Actual Subsidy Rate (step 2)

#### 12.3.1 Introduction

12.3.1.1 The Actual Subsidy Rate shall 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 12.3.2, 12.3.3 and clause 12.3.4.

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

12.3.1.3 The Actual Subsidy Rate is calculated on the basis on the formulae for calculation of the Subsidy Rate, see clause 6 but based on the Annual Report on the Delivered Quantity, see clause 12.3.1.4, clause 12.3.1.5 and clause 12.3.1.6 below.

12.3.1.4 The DEA's calculation of the Actual Subsidy Rate shall be made as follows, however, see clause 12.3.1.5 and 12.3.1.6:

*Actual Subsidy Rate*

$$= \text{Offered Rate}_t - (\Delta \text{Savings}_{EUA} + \Delta \text{Savings}_{tax}) - 0.9 \\ \cdot \text{Excess\_income}_{CarbonCredits}$$



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 CO<sub>2</sub> compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 12.3.2.

$\Delta Savings_{tax}$  is the difference (increase or decrease) in the actual CO<sub>2</sub>-related tax savings per tonne CO<sub>2</sub> compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 12.3.2.

$\Delta Savings_{EUA} + \Delta Savings_{tax}$  is the total EUA and tax saving per tonne CO<sub>2</sub> and will only be deducted in the calculation of the Actual Subsidy Rate if the sum  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  is strictly positive (i.e. larger than zero), see clause 12.3.2.6.

$Excess\_income_{CarbonCredits}$  is the excess Carbon Credit income per tonne CO<sub>2</sub> for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 12.3.3.

Some of the values may be set at 0 (i.e. zero) by the DEA in accordance with clauses 12.3.2 and 12.3.3.

- 12.3.1.5 If future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes mandatory for emitters of Biogenic CO<sub>2</sub>, and under the preconditions in clause 10.2, 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 shall 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 CO<sub>2</sub> compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 12.3.2.

$\Delta Savings_{tax}$  is the difference (increase or decrease) in the actual CO<sub>2</sub>-related tax savings per tonne CO<sub>2</sub> compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 12.3.2.

$\Delta Savings_{EUA} + \Delta Savings_{tax}$  is the total EUA and tax saving per tonne CO<sub>2</sub> and will only be deducted in the calculation of the Actual Subsidy Rate if the sum  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  is strictly positive (i.e. larger than zero), see clause 12.3.2.6.

$Excess\_income_{CarbonCredits}$  is the excess Carbon Credit income per tonne CO<sub>2</sub> for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 12.3.3.

$Savings_{BiogenicAllowances}$  is the savings per tonne CO<sub>2</sub> for the given year in case participation in the ETS becomes mandatory, see clause 12.3.4.

$decreased\_income_{CarbonCredits}$  is the decrease in the Carbon Credit income for the given year and will be either a negative value or zero (i.e. cannot be positive), see clause 12.3.4.

Some of the values may be set at 0 (i.e. zero) by the DEA in accordance with clauses 12.3.2 and 12.3.3 and 12.3.4.

- 12.3.1.6 If future legislation entails that participation in the EU Emissions Trading System (ETS), or a similar EU-mandated trading scheme, becomes voluntary for emitters of Biogenic CO<sub>2</sub> and operators capturing Atmospheric CO<sub>2</sub>, and under the preconditions in clause 10.3, 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 shall therefore be made as follows:

$$\text{Actual Subsidy Rate} = \text{Offered Rate}_t - (\Delta Savings_{EUA} + \Delta Savings_{tax}) - 0.9 \cdot \text{Excess\_income}_{CarbonCredits} - 0.9 \cdot (Savings_{BiogenicAllowances} + decreased\_income_{CarbonCredits})$$

Where:

$\text{Offered Rate}_t$  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 CO<sub>2</sub> compared to the Baseline EUA Savings Per Tonne for the given year (adjusted in accordance with clause 5.3), see clause 12.3.2.

$\Delta Savings_{tax}$  is the difference (increase or decrease) in the actual CO<sub>2</sub>-related tax savings per tonne CO<sub>2</sub> compared to the Baseline Tax Savings Per Tonne for the given year (adjusted in accordance with clause 5.4), see clause 12.3.2.

$\Delta Savings_{EUA} + \Delta Savings_{tax}$  is the total EUA and tax saving per tonne CO<sub>2</sub> and will only be deducted in the calculation of the Actual Subsidy Rate if the sum  $\Delta Savings_{EUA}$  and  $\Delta Savings_{tax}$  is strictly positive (i.e. larger than zero), see clause 12.3.2.6.

$Excess\_income_{CarbonCredits}$  is the excess Carbon Credit income per tonne CO<sub>2</sub> for the given year and will be either a positive value or zero (i.e. cannot be negative), see clause 12.3.3..

$Savings_{BiogenicAllowances}$  is the savings per tonne CO<sub>2</sub> in case participation in the ETS becomes voluntary, see clause 12.3.4.

$decreased\_income_{CarbonCredits}$  is the decrease in the Carbon Credit income and will be either a negative value or zero (i.e. cannot be positive), see clause 12.3.4.

Some of the values may be set at 0 (i.e. zero) by the DEA in accordance with clauses 12.3.2 and 12.3.3 and 12.3.4.

## 12.3.2 **Determination and calculation of Actual Subsidy Rate deduction regarding total EUA savings and CO<sub>2</sub>-related tax savings (Fossil CO<sub>2</sub>)**

12.3.2.1 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 12.3.2.6. Clause 8.1.3 applies for the calculations set out in clause 12.

12.3.2.2 In order to determine whether this is the case, the DEA shall first calculate the:

- weighted market value EUA, see clause 12.3.2.3; and
- actual EUA savings per tonne, see clause 12.3.2.4; and



- actual tax savings per tonne see clause 12.3.2.5.

### 12.3.2.3 Calculation of weighted market value EUA

For each month in the given year, the DEA has calculated a Subsidy Rate, including a potential deduction based on the difference between the provisional EUA savings per tonne and the index-adjusted Baseline EUA Savings Per Tonne, see clause 8. Each monthly calculation of the provisional EUA savings per tonne was based on an average market value of EUA for the given month, see clause 7.3.

For the purpose of calculating the actual EUA savings per tonne, the DEA shall 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 month 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 month of the given year. Each weight will be equal to the proportional value of the Invoiced Quantity for the corresponding month relative to the total Invoiced Quantities in the given year (i.e. the sum of the Operator's Invoiced Quantities for each month of the year).

For example: An Operator has during a given year submitted 12 Invoiced Quantities, totaling 500.000 tonnes of CO<sub>2</sub>. In the first month, January, the Operator has specified an Invoiced Quantity of 50.000. This constitutes 10 % of the total Invoiced Quantity for the given year. This entails that the market value EUA for the first month will be assigned a weight of 10 %.

Thus, the DEA shall perform the calculation of the weighted market value EUA as follows and including all twelve months of the year:

$$p_{EUA}^{MV_w} = (w_{m1} \cdot p_{EUA_{m1}}^{MV}) + (w_{m2} \cdot p_{EUA_{m2}}^{MV}) + (w_{m3} \cdot p_{EUA_{m3}}^{MV}) + \dots + (w_{m12} \cdot p_{EUA_{m12}}^{MV})$$



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

$p_{EUA_{mi}}^{MV}$  is the market value EUA for a given month. The  $i$  denotes the specific month,  $i = 1, 2, 3, \dots, 12$  (DKK/tonne).

$w_{mi}$  is the weight for a given month, based on the proportional value of the Invoiced Quantity for the corresponding month relative to the total Invoiced Quantity for the given year. The  $i$  denotes the specific month,  $i = 1, 2, 3, \dots, 12$ .

#### 12.3.2.4 Calculation of actual EUA savings per tonne

The DEA shall 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 12.3.2.3.

#### 12.3.2.5 Calculation of the actual tax savings per tonne

The DEA shall 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<sub>2</sub>).

$S_{total_{tax}}^{actual}$  is the Actual Total Tax Savings (total income in DKK).



#### 12.3.2.6 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 shall 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  $\Delta S_{EUA}$  and  $\Delta S_{tax}$  (i.e.  $\Delta S_{EUA} + \Delta S_{tax}$ ) 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 Actual Subsidy Rate as set out in the formulae in clause 12.3.1.4 or, if applicable due to future legislation, either clause 12.3.1.5 or 12.3.1.6.

If the sum of  $\Delta S_{EUA}$  and  $\Delta S_{tax}$  (i.e.  $\Delta S_{EUA} + \Delta S_{tax}$ ) is 0 (i.e. zero) or negative, then no deduction regarding EUA savings and CO<sub>2</sub>-related Tax Savings shall apply, and the DEA shall set the value of the sum at 0 (i.e. zero) when calculating the Actual Subsidy Rate as set out in the formulae in clause 12.3.1.4 or, if applicable due to future legislation, either clause 12.3.1.5 or 12.3.1.6.



### 12.3.3 **Determination and calculation of Actual Subsidy Rate deduction regarding excess Carbon Credit income (Biogenic and Atmospheric CO<sub>2</sub>)**

12.3.3.1 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 12.3.1.4 or, if applicable due to future legislation, either clause 12.3.1.5 or 12.3.1.6. Clause 9.1.3 applies for the calculations set out in clause 12.

12.3.3.2 In order to determine the size of the deduction, the DEA shall calculate an actual excess Carbon Credit income per tonne by subtracting the value of the index-adjusted Baseline Total Carbon Credit Income for the given year from the Actual Total Carbon Credit Income for the given year and subsequently dividing the difference with the Verified Delivered Quantity for 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<sub>2</sub>).

12.3.3.3 If the 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  $Excess_{income_{CarbonCredits}}$  (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 12.3.1.4 or, if applicable due to future legislation, either clause 12.3.1.5 or 12.3.1.6.

### 12.3.4 **Determination and calculation of Subsidy Rate deduction regarding other allowances savings (Biogenic and Atmospheric CO<sub>2</sub>)**

12.3.4.1 In order to determine whether a deduction shall apply for the calculation of the Actual Subsidy Rate, see clauses 12.3.4.5 and 12.3.4.6, the DEA shall first calculate the:

- weighted market value biogenic allowances (weighted market value atmospheric allowances), see clause 12.3.4.2; and





- actual biogenic allowances savings per tonne (actual atmospheric allowances savings per tonne), see clause 12.3.4.3; and
- actual decreased Carbon Credit income per tonne, see clause 12.3.4.4.

Clause 10.1.2 applies for the calculations set out in clause 12.

#### 12.3.4.2 Calculation of weighted market value biogenic allowances (weighted market value atmospheric allowances)

For each month in the given year, the DEA has calculated a Subsidy Rate, including a potential deduction based on the sum of the provisional biogenic allowances per tonne and decreased Carbon Credit income, see clause 10. Each monthly calculation of the provisional biogenic allowances per tonne was based on an average market value of biogenic allowances for the given month, see clause 7.3

For the purpose of calculating the actual biogenic allowances savings per tonne, the DEA shall 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 month 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 month of the given year. Each weight will be equal to the proportional value of the Invoiced Quantity for the corresponding month relative to the total Invoiced Quantities in the given year (i.e. the sum of the Operator's Invoiced Quantities for each month of the given year).

For example: An Operator has during a given year submitted twelve Invoiced Quantities, totaling 500.000 tonnes of CO<sub>2</sub>. In the first month, the Operator has specified an Invoiced Quantity totaling 50.000. This constitutes 10 % of the total Invoiced Quantities for the given year. This entails that the market value biogenic allowances for the first month will be assigned a weight of 10 %.

Thus, the DEA shall perform the calculation of the weighted market value EUA as follows and including all twelve months of the year:



$$A_{bioCO_2}^{MV_w} = (w_{m1} \cdot A_{bioCO_2m_1}^{MV_w}) + (w_{m2} \cdot A_{bioCO_2m_2}^{MV_w}) + (w_{m3} \cdot A_{bioCO_2m_3}^{MV_w}) + \dots + (w_{m12} \cdot A_{bioCO_2m_{12}}^{MV_w})$$

$A_{bioCO_2}^{MV_w}$  is the weighted market value for a given year (DKK/tonne).

$p_{bioCO_2m_i}^{MV}$  is the market value biogenic allowances for a given month,  $i = 1, 2, 3, \dots, 12$  (DKK/tonne).

$w_{qi}$  is the weight for a given month. The  $i$  denotes the specific month,  $i = 1, 2, 3, \dots, 12$  based on the proportional value of the Invoiced Quantity for the corresponding month relative to the total Invoiced Quantity for the given year.

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

#### 12.3.4.3 Calculation of actual biogenic allowances savings per tonne (actual atmospheric allowances savings per tonne)

The DEA shall 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:

$$S_{bioall}^{actual} = (f_{bioCO_2}^{actual} \cdot A_{bioCO_2}^{MV_w})$$

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

$f_{bioCO_2}^{actual}$  is Actual Biogenic Allowances Fraction (percentage)

$A_{bioCO_2}^{MV_w}$  is the weighted market value biogenic allowances for a given year (DKK/tonne) calculated as set out in clause 12.3.4.2.

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.

#### 12.3.4.4 Calculating actual decreased Carbon Credit income per tonne

The DEA shall 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 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<sub>2</sub>).

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 is equal to or is higher than the index-adjusted Baseline Total Carbon Credit Income of the given year (see clause 12.3.3), then the value of  $Decreased\_income_{CarbonCredits}$  will be set at 0 (i.e. zero) when performing the calculation in clause 12.3.4.5 and clause 12.3.4.6 and when calculating the Actual Subsidy Rate as set out in either clause 12.3.1.5 or 12.3.1.6.

#### 12.3.4.5 Determination of Actual Subsidy Rate deduction if participation in the ETS becomes mandatory (Biogenic CO<sub>2</sub>)

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 12.3.1.5 or 12.3.1.6.

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 12.3.1.5 or 12.3.1.6.

#### 12.3.4.6 Determination of Actual Subsidy Rate deduction if participation in the ETS becomes voluntary (Biogenic and Atmospheric CO<sub>2</sub>)

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 12.3.1.5 or 12.3.1.6.



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 12.3.1.5 or 12.3.1.6.

## 12.4 Calculation of Actual Subsidy (step 3)

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

12.4.1.1 If the DEA has performed a calculation of an Actual Subsidy Rate (i.e. step 2 as set out in clause 12.3), then the calculation of whether the Operator has received excess subsidy will be performed in the following manner:

$$[sum] = total\ invoiced\ Subsidy - Actual\ Subsidy$$

Where:

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

$Q^{verified}$  is the Verified Delivered Quantity for the given year (tonnes CO<sub>2</sub>)

And the total invoiced Subsidy is calculated as follows and including all twelve months of the year:

$$total\ invoiced\ Subsidy = Inv_{m_1}^{amount} + Inv_{m_2}^{amount} + Inv_{m_3}^{amount} + Inv_{m_4}^{amount} + \dots \dots Inv_{m_{12}}^{amount}$$

$Inv_{m_i}^{amount}$  is the Operator's invoiced amount for a given month in the given year (total amount in DKK), with the total invoiced Subsidy representing the sum of all 12 such monthly amounts ( $i = 1$  to  $i = 12$ ).

12.4.1.2 If the value [sum] calculated as set out in clause 12.4.1.1 is *strictly* positive (i.e. larger than zero) 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 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.

### 12.4.2 If an Actual Subsidy Rate has not been calculated

12.4.2.1 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 12.2), then the DEA shall determine whether the



Operator has received excess subsidy by first calculating a weighted Subsidy Rate as follows and including all twelve months of the year :

$$\text{weighted Subsidy Rate} = \frac{(Inv_{m_1}^{amount} + Inv_{m_2}^{amount} + Inv_{m_3}^{amount} + \dots + Inv_{m_{12}}^{amount})}{(Q_{m_1}^{invoice} + Q_{m_2}^{invoice} + Q_{m_3}^{invoice} + \dots + Q_{m_{12}}^{invoice})}$$

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

$Q_{m_i}^{invoice}$  is the Invoiced Quantity for a given month in the given year (tonnes of CO<sub>2</sub>), (i = 1 to i = 12).

- 12.4.2.2 The Actual Subsidy shall then be determined by multiplying the weighted Subsidy Rate calculated as set out in clause 12.4.2.1 with the Verified Delivered Quantity for the given year as follows:

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

$Q^{verified}$  is the Verified Delivered Quantity for the given year (tonnes CO<sub>2</sub>).

- 12.4.2.3 Finally, the Actual Subsidy shall then be subtracted from the total Invoiced Subsidy as follows:

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

Where total invoiced Subsidy is calculated as follows and including all twelve months of the year:

$$\text{total invoiced Subsidy} = Inv_{m_1}^{amount} + Inv_{m_2}^{amount} + Inv_{m_3}^{amount} + \dots + Inv_{m_{12}}^{amount}$$

$Inv_{m_i}^{amount}$  is the Operator's invoiced amount for a given month in a given year (total amount in DKK), with the total invoiced Subsidy representing the sum of all 12 such monthly amounts (i = 1 to i = 12).

- 12.4.2.4 If the value [sum] calculated as set out in clause 12.4.2.3 is *strictly* positive (i.e. larger than zero) 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 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.

### **13. OTHER REPAYMENT CLAIMS**

#### **13.1 Reimbursement of CO<sub>2</sub> Tax and/or Emission Tax**

13.1.1 If the Danish Tax Agency concludes that the Operator (or a Sub-Supplier which the Operator bases the performance of the Contract on) has received an insufficient tax reimbursement regarding CO<sub>2</sub> Tax and/or Emission Tax with respect to the Verified Delivered Quantity for a given year, meaning that the Operator's (or the Sub-Supplier'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.

13.1.2 Repayment of any subsidy in relation to clause 13.1 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.

#### **13.2 Compliance with applicable sustainability criteria for renewable energy production**

13.2.1 If the DEA concludes that the biomass input, from which the Operator's CO<sub>2</sub> 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*")<sup>20</sup> including later amendments hereof, then the Operator will be obliged to repay subsidy to the DEA, as set out in this clause 13.2.

13.2.2 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 CO<sub>2</sub> 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 CO<sub>2</sub> is captured and Stored in a given year will be subject to any applicable sanctions as set out in

---

<sup>20</sup> Reference is made to [Executive order no. 530 of 28/05/2024](#) (in Danish: "BEK nr. 530 af 28/05/2024").



the penal provision of “Bæredygtighedsbekendtgørelsen”<sup>21</sup> for not complying with one or more of the sustainability criteria of “Bæredygtighedsbekendtgørelsen”, including later amendments hereof.

- 13.2.3 If the DEA approves the given point source’s used biomass from which the Operator’s CO<sub>2</sub> 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 CO<sub>2</sub> is captured and Stored in a given year, the Operator will become subject to a repayment claim in accordance with clause 13.2.
- 13.2.4 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.
- 13.2.5 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 12.3, if applicable, or weighted Subsidy Rate, see clause 12.4.2.1, for the given year. The DEA’s repayment claim will constitute an amount equal to the total of this calculation.
- 13.2.6 Repayment of any subsidy in relation to clause 13.2 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.

## **14. PENALTIES**

### **14.1 Non-performance regarding the Contracted Quantity**

- 14.1.1 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 14.

---

<sup>21</sup> See § 38 of [executive order no. 530 of 28/05/2024](#) (in Danish: ”BEK nr. 530 af 28/05/2024”).



- 14.1.2 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 14.3, unless the non-performance is exempt from Penalty in accordance with clause 14.2. If COD is postponed clause 14.1.3 shall apply.
- 14.1.3 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 14.3, unless the non-performance is exempt from Penalty in accordance with clause 14.2. 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.
- 14.1.4 If the Operator is subject to both Penalties in accordance with this clause 14.3 and a termination fee in accordance with the Contract, clause 20.5.5, the total sum of the Penalties and termination fee, which the Operator shall be liable to pay shall be limited as set out in the Contract, clause 20.5.5.
- 14.2 **Exemptions for non-performance regarding the Annual Quantity**
- 14.2.1 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) Unplanned outages or other unplanned production stoppages in the primary production/CO<sub>2</sub> source to a level which makes it impossible for the Operator to deliver the Annual Quantity, provided that the outage/stoppage is not attributable to gross negligence or willful misconduct of the Operator;
  - c) Extraordinary weather conditions of a qualified nature, being severe meteorological events that are unusual in type or intensity for the relevant season and location, which were unforeseeable or not reasonably foreseeable at the deadline for submission of the Operator's offer, and which directly and materially hinder or prevent the transportation of the captured CO<sub>2</sub> (including without limitation access to and from the Carbon Capture Plant, intermediate transport links, port and loading operations, and marine or pipeline transport),





provided that the Operator has made all reasonable endeavours to avoid or mitigate the effects of such conditions, including by implementing reasonable contingency measures;

- d) Demand reduction in the primary production leading to a reduced CO<sub>2</sub> generation from the point source on which the performance of the Contract is based to a level which makes delivery of the Annual Quantity not reasonably possible under the Contract, provided that the Operator has operated the Carbon Capture Plant within available capacity and in accordance with applicable permits and that the demand reduction is not attributable to conduct of the Operator which significantly deviates from reasonable market practice;
- e) Production or energy optimisation which leads to reduced CO<sub>2</sub> generation from the point source on which the performance of the Contract is based to a level which makes it materially prevent for the Operator to deliver the Annual Quantity; or
- f) 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.

14.2.2 If the Operator considers that non-performance is caused by one of the circumstances mentioned in clause 14.2.1, 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.

14.2.3 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).

14.2.4 The Operator shall not be entitled to any remuneration or compensation in case of the circumstances in clause 14.2.1, including, but not limited to, a situation where the Operator due to a public order as set out in clause 14.2.1, item f), 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<sub>2</sub> not captured and Stored. In case of a partial delivery of the Annual Quantity, payment of the Delivered Quantity of CO<sub>2</sub> will be made in accordance with the provisions of this Appendix.



### 14.3 Penalties related to the Annual Quantity

- 14.3.1 The determination of whether the Operator is subject to Penalties in accordance with the provisions set out in this clause 14 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.
- 14.3.2 For each year a penalty threshold of ninety percent (90 %) of the Annual Quantity (or, if applicable according to the Contract, clause 10.2.4, the reduced Annual Quantity for the given year) applies. The Operator is only subject to Penalty to the extent the Verified Delivered Quantity in a given year (and if relevant, adjusted for non-performance exempt from Penalties in accordance with clause 14.2) is below 90 % of the Annual Quantity (or, if applicable, the reduced Annual Quantity).
- 14.3.3 The Penalty shall constitute twenty-five percent (25 %) of the Actual Subsidy Rate or, if applicable, weighted subsidy rate (clause 12.4.2.1) multiplied by the difference between 90 % of the Annual Quantity (or, if applicable according to the Contract, clause 10.2.4, the reduced Annual Quantity for the given year) and the Verified Delivered Quantity in a given year (and if relevant, adjusted for non-performance exempt from Penalties in accordance with clause 14.2). The Penalty will be calculated as follows:

$$Penalty(Q^{verified}) = \frac{1}{4} \cdot p_{sr} \cdot \left( \frac{9}{10} Q_A - Q^{verified} \right)$$

Where:

*$Q^{verified}$  is the Verified Delivered Quantity (or, if relevant adjusted for non  
– performance exempt from Penalties in accordance with clause 14.2)*

*$p_{sr}$  is Actual Subsidy Rate, if applicable, or weighted subsidy rate,*

*$Q_A$  is the Annual Quantity (or, if applicable according to the Contract, clause 10.2.4,  
the reduced Annual Quantity for the given year)*

Example 1: An Operator has an Annual Quantity of 500,000 tonnes of CO<sub>2</sub> and a  $p_{sr}$  = 800 DKK per tonne of CO<sub>2</sub>.

The Operator will be subject to Penalty to the extent the Operators delivers less than:



$$\frac{9}{10} Q_A = 450,000 \text{ tonnes of } CO_2$$

The Operator delivers 400,000 tonnes of CO<sub>2</sub>, i.e.

$$Q^{verified} = 400,000 \text{ tonnes of } CO_2$$

The Operator therefore delivers less than the 90% of the Annual Quantity.

In that case the Operator will be subject to a Penalty of

$$Penalty (Q^{verified}) = \frac{1}{4} \cdot 800 \cdot (450,000 - 400,000) = 10,000,000 \text{ DKK}$$

Example 2: Consider the situation described above. Now the Operator has documented that 20,000 tonnes of the non-performance are exempt from Penalties in accordance with clause 14.2.

The penalty threshold is still given by:

$$\frac{9}{10} Q_A = 450,000 \text{ tonnes of } CO_2$$

The Penalty threshold has to be compared to the Verified Delivered Quantity adjusted for non-performance in accordance with clause 14.2. As the Verified Delivered Quantity - adjusted for non-performance exempt from Penalties in accordance with clause 14.2 amounts to 400,000 + 20,000 tonnes of CO<sub>2</sub> - is below 90 % of the Annual Quantity, the Operator is subject to Penalty.

In this case the Operator will be subject to a Penalty of

$$Penalty (Q^{verified,adjusted}) = \frac{1}{4} \cdot 800 \cdot (450,000 - 420,000) = 6,000,000 \text{ DKK}$$

Example 3: Consider the situation described in Example 1. Now the Operator has an approved postponement of the Commercial Operation Date in accordance with the contract clause 10.2.4 regarding postponement of Commercial Operation Date. The Commercial Operation Date has been postponed from 1 January 2030 till 1 April 2030, i.e. the Commercial Operation Date is postponed 90 Days out of 365 Days.

In this case the reduced Annual Quantity will, as set out in contract clause 10.2.4, be given by:

$$Reduced \text{ Annual Quantity} = 500,000 - 500,000 \cdot \frac{90}{365} = 376,712 \text{ tonnes of } CO_2$$



Therefore, the penalty threshold is given by

$$\frac{9}{10} 376,712 = 339,041 \text{ tonnes of } CO_2$$

In this case the Operator delivers 300,000 tonnes of CO<sub>2</sub> and hence the Verified Delivered Quantity is below 90 per cent of the reduced Annual Quantity and thus the Operator is subject to penalty. Hence, the Operator will be subject to a Penalty of:

$$Penalty (Q^{verified}) = \frac{1}{4} \cdot 800 \cdot (339,041 - 300,000) = 7,808,200 \text{ DKK}$$

- 14.3.4 If incurred, the DEA shall calculate the Penalty as part of the Annual Settlement, see clause 12, for the relevant years.
- 14.3.5 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 in the subsequent payment of Subsidy.