FUEL INNOVATION FUND | EMISSIONS REDUCTION ALBERTA

FUTURE FUELS CHALLENGE 2027

ELIGIBLE EXPENSES AND COST GUIDELINES

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Contents

Contents

1.0 Purpose of FFC Eligible Cost Guidelines 4

2.0 Summary of Eligible and Ineligible Expenses 5

3.0 Funding and Expenses 7

3.1 Project Funding 7

3.2 Project Expenses 7

4.0 Labour Cost Category 8

4.1 Salary and Labour Cost Guidance - Applicable to all organizations 8

4.2 Employee Benefits Expenses Guidance 9

4.3 Employees of Canadian Public Entities Guidance 9

5.0 Equipment Cost Category 9

5.1 Capital Asset Purchases 9

5.2 Equipment leases 10

6.0 Materials, Feedstock, and Supplies Cost Category 10

6.1 Consumables 10

6.2 Feedstock 10

6.3 Reports, Memberships and Fees 10

7.0 Consulting/Sub-Contractor Cost Category 10

7.1 Costs of GHG Verification 11

8.0 Travel Cost Category 11

8.1 Attendance at Conferences 11

8.2 Workshop Participation 11

8.3 Air Travel 11

8.4 Other Travel Expenses (Meals, Accommodation, Parking etc.) 12

8.5 Vehicle Travel 12

8.6 Vehicle Particulars 12

8.7 Parking 12

8.8 Vehicle Insurance 13

8.9 Vehicle Rentals 13

8.10 Taxi or Rideshare Charges 13

9.0 Overhead Cost Category 13

9.1 FIF Required Reporting 14

9.2 Legal expenses 14
10.0 Other Ineligible Costs 14
10.1 Hiring of Personnel 14
10.2 Regulatory Approval 14
10.3 Land 14
10.4 Marketing 14
10.5 Entertainment 14
10.6 Protection of Intellectual Property 14
10.7 GST and PST 15
10.8 Renewable fuel procurement 15
10.9 Long-term purchase agreements 15
10.10 Environmental attributes 15
11.0 Timing of Eligible Expenses 15
12.0 Foreign Currency Risk 15

1.0 Purpose of FFC Eligible Cost Guidelines

The purpose of the document is to provide guidance and instruction on expenses eligible for funding support from Fuel Innovation Fund ("FIF")[1]("Eligible Expenses"). The requirements set out in this document apply to costs included in the Project budget at the application stage, including the Expression of Interest and Full Project Proposal, as well as to expenses incurred throughout the term of the funded Project. FIF reserves the right to request additional information regarding any Project expense at any time.

This document is subject to periodic revisions; new versions will supersede older ones. ***It is the Proponent's responsibility to ensure they comply with the most recent version of this document which can be found at https://www.fuelinnovationfund.ca/.***

FIF will only reimburse Eligible Expenses and recognize matching contributions for costs that are considered eligible and incurred in support of achieving the Project objectives. FIF will only reimburse Eligible Expenses that are incurred between the dates specified in the Contribution Agreement[2]. Any costs which are considered ineligible in accordance with these Cost Guidelines will not be included in the Project's total eligible costs.

The quality of a submission is determined in part by the transparency of Project expenses . Incomplete or incorrect information may delay review or negatively impact the Project claim.
All questions regarding these instructions should be directed to FIF by emailing info@fuelinnovationfund.ca .

[1] Fuel Innovations Fund is a wholly owned subsidiary of Emissions Reduction Alberta (ERA). ERA is a legal trade name of the Climate Change and Emissions Management (CCEMC) Corporation.

[2] For the Future Fuels Challenge eligible expense dates are normally no earlier than the deadline of the Full Project Proposal Submission.

2.0 Summary of Eligible and Ineligible Expenses

Category	Eligible Expenses	Ineligible Expenses	Special expenses requiring FIF approval
Labour	● Labour costs for those individuals specifically identified as working on the Project calculated from the individual's base salary ● Actual cost of employee benefits up to 20% of base salary ● Costs associated with preparing FIF required reports	● Compensation for boards or commissions ● Performance based compensation, and bonuses ● Tuition and membership fees ● Costs associated with negotiating funding agreements with FIF or to arrange project financing ● Costs to hire personnel ● Costs to obtain regulatory approvals	● Work done by government funded labs
Equipment	● Purchase cost of Capital assets required for delivery of the project ● Lease costs of equipment to deliver the project		● Costs for the use of existing capital assets or equipment (such as depreciation)
Materials and Supplies	● Consumables used during the Project Period for the Project. ● Raw materials, tools, and software ● Feedstock for co-processed or renewable fuel production	● Subscriptions to magazines, journals, or other publications ● Product marketing costs that are not directly associated with the project technology	● Renewable fuel purchases

Category	Eligible Expenses	Ineligible Expenses	Special expenses requiring FIF approval
Consultants & Subcontracts	• Labour costs for those individuals specifically identified as working on the Project • Costs related to third party verification of GHG emission reductions		
Travel	• Travel and registration costs to attend relevant conferences for the purpose of presenting on the Project, capped at $2,500 for domestic and $5,000 for international conferences • Reasonable fees and travel expenses for workshop presenters and project team participants • Reasonable out of pocket expenses as per the Government of Canada's Travel, Meal and Hospitality Expenses Policy[3] • Parking, Economy airfare, Taxi or Rideshare costs • Vehicle rental or mileage for project required travel	• Cancelation or change fees • Tips and gratuities Fines, traffic violations • First class airfare, accommodation expenses above Government standard rates.	
Overhead	• Allocation of office space, IT, administration salaries, insurance, and utilities directly related to project activities • Costs associated with FIF required reporting, including project monitoring to support the GHG emissions measurement, monitoring and verification (MMV)	• Overhead expenses exceeding 15% of Total Eligible Project Expenses • Bank charges and bank fees or any type of expenses from normal operations not specifically related to the Project • Overhead costs unrelated to project activities	• Land purchase or leasing costs
Other		• GST and PST, Tariffs, Foreign VAT and Sales Taxes • Foreign currency differentials • Expenses for patenting, licensing, or copywriting • Entertainment	• GST for Not-for-Profit or charities • Hospitality expenses related to events to disseminate Project results.

[3] Please reference the most current version of Government of Canada Directive on Travel, Hospitality, Conference and Event Expenditures.

3.0 Funding and Expenses

FIF has a responsibility to effectively steward compliance contributions received under the Clean Fuel Regulations to support projects that achieve emissions reductions in Canada. Accordingly, all expenses must be directly attributable to the project and have incremental value to Canada.
Directly Attributable: The recipient must be able to demonstrate the relationship between the expenses and the project and that all FIF funding is used only for eligible project expenses.

Incremental Value: Existing assets utilized by the Project may be included in total project costs but are generally not eligible project expenses. Any use of previously purchased assets as eligible project expenses must be pre-approved by FIF.

3.1 Project Funding

For projects funded by the Future Fuels Challenge, FIF requires its funding to be matched on a minimum 1:1 basis with private funding from the applicant and/or project partners. This means that for every $1 of FIF funding provided to a project, there must be at least **$1** private funding from the applicant and/or partners. Private funding does not include funding provided directly to the Project by federal, provincial, or international governments. FIF will not match funding from these sources. While FIF does not have a formal "stacking" limit alongside other government funds, it is the applicant's responsibility to confirm and comply with other stacking limits that may apply under various funding programs for capital and operating cost support, including the maximum of 75% stacked funding under the Government of Canada. For clarity, FIF funds are not considered Government of Canada funds and any direct investments in the project made by proponents under other regulations will be considered eligible for matching.

Eligible project funding includes both monetary and non-monetary contributions.

Monetary contributions are actual dollars paid towards the project.

Non-monetary contributions are goods or services donated by a project partner that would otherwise have to be purchased.

FIF will not **reimburse** the funding recipient for the value of the non-monetary contribution (donation) because the recipient did not make a payment for it. FIF can only reimburse eligible, incremental costs that have actually been incurred and paid by the recipient.

Funding from post-secondary institutions may be eligible for matching, provided that the source of funds is not from the provincial government or other public dollars. Funding provided by municipalities is generally eligible for FIF matching so long as they can demonstrate that this funding is sourced from operational revenue (i.e. property taxes, user fees, permits and fines) rather than provincial grants.

3.2 Project Expenses

Project Expenses represent the costs incurred to complete the project and may include expenses incurred and paid by the funding recipient or by project partners.

For an expense to be eligible for FIF reimbursement, it must meet FIF's eligibility requirements and be incurred and paid by the funding recipient. Expenses incurred and paid directly by a project partner or

donated goods and services may form part of the total project costs; however, they are not eligible for reimbursement by FIF.

FIF will reimburse up to 50% of eligible expenses incurred and paid by the funding recipient, subject to the funding terms established in the Contribution Agreement.

Project costs that do not meet FIF's eligibility requirements may still be included to reflect the total project costs; however these costs are not eligible for FIF reimbursement. FIF funding will cover up to 50% of Eligible Expenses.

4.0 Labour Cost Category

4.1 Salary and Labour Cost Guidance - Applicable to all organizations

Labour costs for employees of the Project Proponent or entities that are directly responsible for the delivery of the project should be captured in the labour cost category. E.g. project managers, financial managers, executive team, staff engineers, etc.

For individuals working on project activities:

- Only actual, direct salaries are eligible expenses.
- Salary rates supplied in the project budget must equate to the individual's base salary rate only and the percentage of commitment to the Project should be explicitly shown.
- Labour should be broken down by employee, hours, and rate.
- Performance based compensation such as commissions, bonuses, or performance pay are ineligible expenses.
- Labour expenses should be in line with the prevailing wage of the function being performed. FIF reserves the right to limit the eligibility of executive salaries if they are not commensurate with the work they will be performing on the project or directly attributable to the outcomes of the project. In cases where the Project Proponent specifies that project team members are employed as a "Contractor" (e.g. their employee/employer relationship is governed by a contract), the rates charged by the employee to the Project are an Eligible Expense.
    - If the contracted employee is paid via invoice, the contracted employee must document the hourly or daily rate charged and the number of hours or days worked on their invoice submitted to the Project.
    - If the contracted employee is paid via payroll, the actual direct salary associated with the project is an eligible cost.
    - FIF reserves the right to limit the eligibility of any contractor expenses should they appear to be excessive or lack sufficient supporting documentation, including the overhead or benefit rates charged by the contractor.
- In cases where a research student is providing the labour, payment in the form of a bursary is an Eligible Expense provided it can be supported by detailed hourly or daily rates charged and the number of hours or days worked.
- When a senior executive is performing Project work the eligible expense should be the amount that would be paid to a non-executive Project team member, not the higher amount that would typically be paid to senior executives. The rates used for calculating the eligible expense must be appropriately supported. This means that the recipient should provide documentation or evidence to justify the rates applied for the work. For example, if the senior executive is performing tasks that would normally be done by an engineer, the expense claimed should reflect the standard engineering rate,

not the senior executives' salary. Proper documentation should be provided to support the engineering rate used.

4.2 Employee Benefits Expenses Guidance

Actual benefit expenses for employees, including Employment Insurance, Canada Pension Plan, medical, and vacation pay are eligible expenses to a limit of 20% of the employee's base salary. A breakdown is required to support (employer EI and CCP portion, vacation) the amount paid. **This 20% is a maximum limit, not a multiplier.**

Example: Recipient has one full time employee that is providing 1,000 hours to the project each year for three years. Their annual base salary is $70,000 and the employer pays $5,000 annually for employee benefits. Assuming full time work equals to 2,080 hours per year, $33,653/year in base salary plus $2,403/year in benefits can be claimed each year during the project term as eligible expenses.

4.3 Employees of Canadian Public Entities Guidance

Canadian public entities include federal or provincial government departments, post-secondary institutions, and other government funded agencies.

- Compensation for full or part time personnel employed by a federal or provincial public entity (e.g. government, agencies, boards, and commissions) performing work on the Project are ineligible costs.
- Salaries of individuals hired temporarily to relieve full, or part time personnel employed by an federal or provincial public entity of their regular duties, thereby allowing them more time for funded Project business, is an eligible cost (e.g. the cost of hiring a sessional instructor for course release may be classified as an eligible expense).
- Salary costs incurred for work performed by Government funded labs may be considered an Eligible Expense with prior approval of FIF.

5.0 Equipment Cost Category

Generally, any equipment purchased for the purpose of carrying out the project should be disclosed in the equipment cost category. For example, machinery, vehicles, motors, etc.

5.1 Capital Asset Purchases

Capital assets, such as property (excluding land), plant, and equipment (PPE) that are required for the delivery of the project are Eligible. All assets to be purchased must be itemized at the time of project commencement and should be submitted to FIF for review during the contracting process. FIF will review the asset listing to determine reasonableness of cost and linkage to the project. The useful life of the asset must be specified. FIF reserves the right to limit capital purchases at their discretion to meet FIF objectives. Capital assets should be supported by invoices which disclose the purchase price/cost of the asset.

If demand-side equipment, such as vehicles, are part of the project scope the above requirements for capital asset purchases would apply.

5.2 Equipment leases

Equipment such as property, plant, and equipment (PPE), mobile equipment, or construction equipment that are required for the delivery of the project are Eligible. All assets to be purchased must be itemized at the time of project commencement and should be submitted to FIF for review during the contracting process. FIF will review the asset listing to determine reasonableness of cost and linkage to the project. The term of the lease must be specified. FIF reserves the right to limit equipment leases at their discretion to meet FIF objectives. Leases should be supported by invoices which disclose the purchase price/cost of the asset.

6.0 Materials, Feedstock, and Supplies Cost Category

Any materials and supplies purchased for the purpose of carrying out the project should be disclosed in the materials and supplies cost category. For example, raw materials, hardware (small machine), tools or software. Materials and supplies used to carry out the Project work are eligible expenses. Any expenses to purchase materials or supplies for the Project should be indicated in the budget at the time of application. Expenditures in this category must be itemized at the time of Project commencement and should be submitted to FIF for review during the contracting process.

6.1 Consumables

Consumables (e.g. industrial gases, construction, or laboratory supplies) used during the course of the Project are Eligible Expenses but must be documented. These should be captured in the materials and supplies category.

6.2 Feedstock

Feedstock procured for the production of renewable or low-carbon fuels (e.g. vegetable oils, energy crops, animal fats, waste biomass) during the course of the Project are Eligible Expenses but must be documented. These should be captured in the materials and supplies category.

6.3 Reports, Memberships and Fees

- Tuition fees, membership fees and subscriptions (such as magazines, journals and other publications) are ineligible.
- Expenses incurred in preparing progress reports for FIF are considered to be a part of the Project and are therefore Eligible Expenses.
- Expenses incurred to prepare the Final Financial Report, Final Outcomes Report, the Commercialization and Technology Transfer Plan, and the Non-Confidential Report are eligible.
- Expenses for extension and publication of research results may be considered eligible if prior written approval is obtained from FIF

7.0 Consulting/Sub-Contractor Cost Category

It is recommended that labour costs of Consultant/Sub-Contractors supporting aspects of the project delivery be captured in the contractor/sub-contractor cost category. E.g., third party consulting engineers, surveyors, machine/equipment operators, etc.

- The rates charged by the Consultant/Sub-Contractor doing work directly related to the Project are an Eligible Expense. These rates should be according to market/online benchmarks.
- The Consultant/Sub-Contractor must document the hourly or daily rate charged, the number of hours or days worked, and tasks completed on their invoice submitted to the Project.

- FIF reserves the right to limit any Consultant/Sub-Contractor payments should they appear to be excessive or lack sufficient supporting documentation.

Costs associated with hiring "Engineering, Procurement and Construction" (EPC) contractors should be captured in the consulting/sub-consulting category. All invoices from the EPC should detail hours/rates/ tasks that can be directly tied to the project.

7.1 Costs of GHG Verification

Any costs related to third party verification of GHG emission reductions as required by FIF are an Eligible Expense.

8.0 Travel Cost Category

The following travel policies apply on all Project related travel. Any exceptions to the policies described below must be approved in advance and in writing by FIF. All Project Proponents claiming travel expenses must maintain detailed, comprehensive travel records for review by FIF.

Travel expenses should be tied to approved Project activities and supported by purpose (site visit, conference, Project work or field activity) and evidence. They should be necessary for Project execution. Flight, hotels and meals should be tied to the same trip and purpose, and cost must align with Government of Canada Directive on Travel, Hospitality, Conference and Event Expenditures that can be found on the Government of Canada's website.

8.1 Attendance at Conferences

FIF may support expenses for up to one conference per year, **up to a maximum of three (3) per Project**. The maximum eligible expense for each conference is $2,500 ($5,000 for international conferences), inclusive of all travel expenditures and registration fees. For clarity, this is the maximum eligible expense **per conference** not per person. Any expenditures in excess of this amount are ineligible for reimbursement by FIF.

The Project Proponent should clearly justify to FIF of why attendance is required to advance the FIF-funded Project.

If the conference has paid for any expenses related to travel, then the Project Proponent cannot also claim these amounts from FIF. Conference details and location must be documented in the budget at the time of application or reviewed by the Project Steering Committee and approved by FIF. A summary report of conference findings or results should be provided to FIF through milestone reporting.

8.2 Workshop Participation

Some Projects may hold workshops attended by subject-matter experts from organizations other than the Project Proponent's organization, who will provide input into the Project. Travel expenses and daily charge-out rates for the presenters or participants at these workshops are Eligible Expenses, provided that the individuals are listed as team members in the Project work plan, or their participation is approved by the Project Advisor. Travel rates are discussed in their own section of this document.

FIF reserves the right to limit expenses for workshops and conferences to an aggregate maximum if they appear excessive or lack sufficient justification.

8.3 Air Travel

Only economy airfares are eligible. Premium economy, upgraded seats, extra legroom, unnecessary baggage upgrades, and other add-ons are not eligible unless specifically approved. Invoices should be retained to confirm the fare class and amount. Change and cancellation fees are not eligible. Project

proponents are not authorized to fly or charter private or personally rented aircraft on Project business unless authorized by FIF. This includes international travel.

FIF reserves the right to limit expenses for air travel if they appear excessive or lack sufficient justification.

8.4 Other Travel Expenses (Meals, Accommodation, Parking etc.)

Reasonable out-of-pocket expenses incurred while performing work directly related to the approved FIF Project are Eligible Expenses, if they are consistent with the Government of Canada Directive on Travel, Hospitality, Conference and Event Expenditures that can be found on the Government of Canada's website. Further:

- All expenses are to be supported by receipts and all travel expenses incurred must be consistent with the Project work plan and budget schedules.
- Travel expenses received at public expense or without charge may not be claimed.
- Meals should be expensed on a per diem basis and are subject to GoC maximum amounts. Project Proponents should retain receipts for supporting documentation of the claim;
- Tips and gratuities are ineligible as they are included in the per diem amount.
- Per Diem expenses are not eligible if they are not associated with approved travel.
- Accommodation expenses should be reasonable and supported by invoices. Suites or upgraded rooms are not eligible.
- Project Proponents are responsible for canceling hotel reservations in time to avoid "no show" charges, therefore "no show" and cancellation expenses are not eligible.

FIF reserves the right to limit expenses for travel if they appear excessive or lack sufficient justification.

8.5 Vehicle Travel

For all Project Proponents and all types of vehicles, toll charges for travel on approved project business are eligible.

Parking fines, traffic violation fines (including photo radar), and impoundment/ towing fees when driving a company, leased, rented or personal vehicle on approved Project business are not eligible.

8.6 Vehicle Particulars

Private owned vehicle allowance: The private owned vehicle allowance ("Vehicle Allowance") is intended to cover the gas and maintenance expenses associated with operating a personal while traveling on Project business. The Vehicle Allowance does not apply when using a rental or leased vehicle. Project Proponents authorized to use their own vehicles in the performance of their Project related duties may charge up to the amount per km stipulated in Government of Canada Directive on Travel, Hospitality, Conference and Event Expenditures policy to the Project. **Details on the location traveled from/to and the purpose of the trip should be included in the mileage expense claims.**

The Vehicle Allowance is an Eligible Expense for privately owned vehicles driven to a departure location (e.g. airport or train terminal) and picked up upon return. When travel mileage exceeds the cost of a vehicle rental, the person traveling should travel by rental vehicle.

8.7 Parking

Where vehicles are used for approved Project business, only reasonable receipted parking charges may be claimed as Eligible Expenses for both private and rented vehicles.

8.8 Vehicle Insurance

Project Proponents are responsible for obtaining adequate insurance coverage for using their private vehicle for business purposes. Adequate coverage shall be determined before a privately-owned vehicle is used for FIF funded Project business.

8.9 Vehicle Rentals

Proponents are required to use rental vehicles where they represent a lower-cost alternative to the use of private vehicles. Proponents must ensure that adequate insurance coverage is in place when using rental vehicles. Proponents must obtain a competitive rate for vehicle rentals; only compact or midsized vehicle rates are Eligible Expense, subject to usage requirements, as defined in the funded Project proposal and work plan.

8.10 Taxi or Rideshare Charges

Claims for taxis or rideshares while traveling on Project business will be reimbursed at cost when other more economical means of transportation are either unavailable or unsuitable. **Details on the location traveled from/to and the purpose of the trip should be included in the taxi expense claims.**

9.0 Overhead Cost Category

Company overhead expenses that are directly related to the Project may be eligible. For greater clarity, examples of normal company overhead expenses may include, but are not limited to, the following:

- Administrative salaries for project-related activities
- Office supplies related to the Project
- Information Technology costs directly related to the Project
- Insurance costs directly related to the Project (pro-rate to Project activities and assets)
- Utilities – including natural gas, electricity, and water (pro-rate to Project activities)
- Space rental for Project activities

These expenses must be sufficiently described, itemized, and shown separately in the Project budget, Project expense listings and invoices must be retained as supporting documentation. Overhead expenses must be supported by a consistent and reasonable allocation methodology* and there must also be a clear line-of-sight from these costs directly related to the Project being funded and not expenses from organizational operations expenses like Bank fees.

***Allocation methodology** means the method used to calculate the portion of a shared overhead cost that applies to the Project. The method should be reasonable, consistent, and supported by documentation.

Examples of allocation methodology include: percentage of facility or office space used for Project activities or percentage of staff hours allocated to the Project compared to total staff hours.

Justification for overhead expenses is required, as is any allocation methodology used to charge a portion of these expenses to the Project; 100% allocation requires approval by FIF. In the case of Post-Secondary Institutions and certain government agencies, evidence of an approved overhead policy including an allocation methodology must be available to support standard overhead allocations. In all instances, FIF

reserves the right to limit any overhead payments should they appear to be excessive or lack sufficient supporting documentation. The maximum amount of overhead eligible for reimbursement shall not exceed 15% of Total Eligible Project Expenses. It should be noted that costs associated with negotiating funding agreements with FIF are considered ineligible expenses. The overhead costs charged must be properly supported by third party supporting documents, and reasonable methodology.

9.1 FIF Required Reporting

Costs required to meet FIF reporting requirements are eligible for FIF funding, including project performance monitoring to support the GHG emissions measurement, monitoring and verification (MMV). Additional required reports will be outlined in the Contribution Agreement and may include the Final Financial Report, Final Outcomes Report, and the Non-Confidential Report.

9.2 Legal expenses

- Normal legal expenses incurred to negotiate procurement or supply contracts as required to execute the project scope and workplan would be eligible and should be included in the overhead category.

  No other legal costs are eligible including costs associated with negotiating the Contribution Agreement and project financing.

10.0 Other Ineligible Costs

10.1 Hiring of Personnel

Expenses for advertising, travel, or other expenses associated with hiring new personnel for the Project are ineligible.

10.2 Regulatory Approval

Any costs incurred to obtain approval from any regulatory body to commence, execute or complete a Project are ineligible.

10.3 Land

Purchase of land or costs associated with leasing land are not Eligible Expenses, unless otherwise approved by FIF.

10.4 Marketing

Product marketing and business development activities undertaken to pursue commercial sales are not an Eligible Expense, unless otherwise approved by FIF.

10.5 Entertainment

Expenses planned or incurred for entertainment are ineligible. Hospitality expenses related to workshops and seminars designed to disseminate Project results as outlined in the project scope and workplan are eligible, with pre-approval from FIF. Please consult the Project Advisor for information in these cases.

10.6 Protection of Intellectual Property

Expenses associated with protecting a Project's results, e.g. patenting, licensing, copyrighting, etc., are ineligible.

10.7 GST and PST

GST and Provincial Sales Tax (PST) expenses are ineligible. In the event the Proponent is a public institution, qualifying as a not-for-profit organization or a registered charity, they may request approval from FIF to reimburse the portion of Project related GST costs not eligible for rebate. This does not apply to provincial sales tax or foreign sales tax amounts.

10.8 Renewable fuel procurement

Purchases of renewable fuels from an external supplier, either domestic or imported, to comply with the Clean Fuel Regulations are ineligible expenses.

10.9 Long-term purchase agreements

Costs resulting from long-term purchase agreements that extend beyond the duration of the Project Period are not eligible expenses.

10.10 Environmental attributes

Th purchase of environmental attributes (e.g. offsets, REC, vPPA) to offset GHG emissions generated from the operation of the Project are ineligible expenses.

11.0 Timing of Eligible Expenses

For a project expense to be considered eligible for FIF funding, it must be incurred on or after the date of Full Project Proposal submission or the Project or the project start date, whichever is later. For clarity, project expenses incurred prior to the Full Project Proposal submission are not eligible for FIF funding.

Following the Full Project Proposal submissions, eligible expenses incurred during project execution including engineering, procurement and construction, commissioning and start-up may be eligible for FIF funding. The start-up period will be determined based on the nature of the Project and generally extends until the Project achieves steady-state operation – where this period exceeds 12 months the applicant must justify why a longer time period is needed.

12.0 Foreign Currency Risk

FIF does not accept any foreign currency risk. Any Project cost or funding changes because of foreign currency fluctuations are to be borne solely by the Project Proponent. Any Project Proponent operating in a foreign jurisdiction must make appropriate provisions to manage the risk of foreign currency fluctuations during the Project Period. Foreign currency transactions should be converted to Canadian dollars using the Bank of Canada daily average exchange rate applicable on the transaction date. Where a daily rate is unavailable or impractical to apply, the Bank of Canada monthly average exchange rate for the applicable month may be used. Conversion using the exchange rate on the day of report submission to FIF will not be acceptable.