Greening Performance Report

CONCERNING THE AGREEMENT OF 5 MAY 2010, ENTERED INTO WITH THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT REPRESENTING THE GOVERNMENT OF IRELAND

For the year 2010, as of 31 December 2010

National Fund for Environmental Protection and Water Management
National Operator of the Green Investment Scheme
Climate Protection Department
Green Investment Scheme Unit
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1. Executive summary

1.1. Background

The agreement with the EBRD, representing the Government of Ireland, was entered into on 5 May 2010. The commercial value of the agreement amounts to EUR 15,000,000.00. On 26 October 2010, the Climate Account owned by the National Fund for Environmental Protection and Water Management acting as the National Operator of the Green Investment Scheme was credited with the amount equivalent to the commercial value of the agreement, which after currency conversion amounted to PLN 58,912,500.00.

1.2. Summary of Purchase Agreement commitments

Under the Purchase Agreement commitments, the National Fund for Environmental Protection and Water Management (NFOŚiGW) will guarantee that the Proceeds will be disbursed on the greening purposes listed below:

1.2.1. Agricultural biogas plants (25% of the funds provided under the transaction);
1.2.2. Biomass fired power plants (25% of the funds provided under the transaction);
1.2.3. Energy management in public service buildings (50% of the funds provided under the transaction).

The description of activities eligible for co-financing was included in the Greening Plan, annexed to the Purchase Agreement as Annex 1.

Up to 5% of the proceeds (PLN 2,945,625.00) can be assigned to cover the costs of implementing the Green Investment Scheme, including:

a) Technical assistance for eligible Beneficiaries in preparation and development of Greening Activities;

b) Marketing and promotion of Greening Programmes;

c) Management and administration of the Greening Plan and Greening Activities by the Selling Party or the Operator of the Green Investment Scheme;

d) The Monitoring Committee operations;

e) Monitoring, verification and audits, including external auditors and reviewers.

The above Purchase Agreement entered into effect after fulfilment of conditions precedent referred to in clause 2.2 of the Agreement. The above-mentioned conditions precedent were fulfilled by the Selling Party on 16 July 2010.

The Agreement specifies the following deadlines for performance of the commitments:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Announcements on the calls for proposals</th>
<th>Making commitments</th>
<th>Disbursement of proceeds</th>
<th>Implementation of the projects</th>
<th>Monitoring of the projects</th>
</tr>
</thead>
</table>

1 Pursuant to the Agreement, the announcement on the launch of the call for proposals should be published by 30.06.2010. By way of an EBRD letter of 30.06.2010, the Purchasing Party granted consent to postpone the date of announcement on the call for proposals to 30.07.2010.
1.3. Calls for proposals

So far, the National Operator has announced 3 calls for proposals.

1.3.1. Announcement on the calls for proposals under the Greening Programme "Agricultural biogas plants" was published on 30.07.2010 on the website of the NFOŚiGW and in the “Dziennik Gazeta Prawna” daily. The call for proposals was open from 30.08.2010 to 28.09.2010.

1.3.2. Announcement on the call for proposals under the Greening Programme "Biomass combined heat and power plants and heating plants" was published on 30.07.2010 on the website of the NFOŚiGW and in the “Dziennik Gazeta Prawna” daily. The call for proposals was open from 29.09.2010 to 28.10.2010.

1.3.3. The announcement on the call for proposals under the Greening Programme “Energy management in public service buildings” with an allocation amounting to PLN 104 million in the form of a grant from GIS funds derived from a transaction with the Japanese partner was published on 30.06.2010 on the NFOŚiGW’s website and in “Dziennik Gazeta Prawna” daily. On 30.07.2010, the competition allocation was increased and reached the amount of PLN 181 million from the proceeds obtained from the agreement with Ireland and Japan (including the Proceeds from the above-mentioned Purchase Agreement – PLN 27 million). Therefore, the date of the announcement on the competition for the proceeds derived from the agreements with Ireland shall be 30.07.2010. The call for proposals was open from 29.10.2010 to 3.12.2010. Due to adverse weather conditions on 29.11.2010, and problems with the delivery of applications for co-financing, the Management Board of the NFOŚiGW, upon the consent of the Minister of the Environment and the EBRD, extended the deadline for submitting the applications from 29.11.2010 to 03.12.2010.

2. Performance of the call for proposals

Allocations of the following competitions were estimated before crediting Climate Account with Proceeds. Therefore, the total amount of grants in PLN from individual competitions is lower than the amount of Proceeds after currency conversion. Competitions’ allocations will be verified while preparing ranking lists of projects initially qualified as eligible for co-financing.

2.1. Agricultural biogas plants

In accordance with the decision allowing for later announcement on the call for proposals, the 1st Competition was announced on 30.07.2010. The competition allocation amounted to PLN 36 million (including Proceeds under the above-mentioned Purchase Agreement – PLN 13 million) in the form of grant from GIS funds, from proceeds under agreements concluded with the European Bank for Reconstruction and Development, which represented the Kingdom of Spain and Ireland. In addition, the Applicants could apply for additional co-financing in the form of loans from other NFOŚiGW resources. To that end, submission of a separate application to NFOŚiGW was required. On 28.09.2010, the call for proposals under the above-mentioned Greening Programme was closed.

Under this competition, applications for co-financing of 62 projects were submitted. The requested co-financing in the form of grants amounted to PLN 371,671,123.00, and in the form of loans to PLN 572,984,783.00, with the total final cost of projects equalling PLN 1,560,084,711.25. The total reduction of CO₂ emissions for these projects was estimated in applications for co-financing at 1,111,200 Mg of CO₂/year.

Formal assessment of applications was completed in the first half of March 2011. The date of completing the assessment was affected by: the need to analyse the connections between the Applicants, to receive supplements/ explanations from the majority of the Applicants, consultations
with the European Commission concerning eligibility of one application in terms of regulations on regional aid and examination of appeals submitted by the Applicants whose applications were rejected.

As a result of the assessment of applications in terms of formal criteria, 43 applications received recommendations for further assessment, 16 applications were rejected, and 3 Applicants withdrew their applications. The main reason for the rejections was the lack of obligatory documents at the stage of the formal assessment.

In the case of applications that received positive opinions after formal assessment, the requested co-financing in the form of grants amounted to PLN 267,738,160.00, and to PLN 413,037,349.00 in the form of loans, with the total final cost of the projects amounting to PLN 1,178,488,261.25. Environmental effect (reduction of CO$_2$ emissions) for the projects that received positive opinions during the formal assessment amounted to 928,400 Mg of CO$_2$/year.

2.2. Biomass fired power plants

In accordance with the decision allowing for later announcement on the call for proposals, the 1$^{st}$ Competition was announced on 30.07.2010. The competition allocation amounted to PLN 36 million and was obtained from proceeds under agreements concluded with the European Bank for Reconstruction and Development, which represented the Kingdom of Spain and Ireland (including Proceeds under the above-mentioned Purchase Agreement – PLN 13 million). In addition, the Applicants could apply for additional co-financing in the form of loans from other NFOŚiGW resources. To that end, submission of a separate application to NFOŚiGW was required. On 28 October 2010, the call for proposals under the above-mentioned Greening Programme was closed.

Under this call for proposals, the NFOŚiGW received applications for co-financing of 11 projects. The requested co-financing in the form of grants amounts to PLN 59,176,450.00, and to PLN 75,881,665.00 in the form of loans, with the total final cost of projects equalling PLN 246,380,830.00. The total reduction of CO$_2$ emissions for these projects was estimated in applications for co-financing at 186,400 Mg of CO$_2$/year.

Formal assessment of all applications was completed at the beginning of February 2011 due to the necessity to obtain supplements/ explanations from most Applicants.

At the stage of the assessment of applications in terms of formal criteria, 10 applications received positive recommendations for further assessment, and 1 Applicant withdrew the application. In the case of applications that received positive opinions after formal assessment, the requested co-financing in the form of grants amounted to PLN 50,746,450.00, and to PLN 75,881,665.00 in the form of loans, with the total final cost of projects amounting to PLN 207,950,830.00. The environmental effect (reduction of CO$_2$ emissions) for the projects that received positive opinions during the formal assessment amounted to 149,500 Mg of CO$_2$/year.

2.3. Energy management in public service buildings

The competition was announced on 30.06.2010 with an allocation amounting to PLN 104 million in the form of a grant from GIS funds derived from a transaction with the Japanese partner. On 30.07.2010, the competition allocation was increased and reached the amount of PLN 181 million from the proceeds obtained from the agreement with Ireland and Japan (including the Proceeds from the above-mentioned Purchase Agreement – PLN 27 million). In addition, the Applicants could apply for additional co-financing in the form of loans from other NFOŚiGW resources. To that end, submission of a separate application to NFOŚiGW was required. The call for proposals was to be completed on 29.11.2010. Due to adverse weather conditions on 29.11.2010, and problems with the delivery of applications for co-financing, the Management Board of the NFOŚiGW, upon the consent of the Minister of the Environment, extended the deadline for submitting the applications from 29.11.2010 to 03.12.2010.
Under this call for proposals, the NFOŚiGW received applications for co-financing of 32 projects. The requested co-financing in the form of grants amounts to PLN 130,168,788.94, and to PLN 219,206,873.62 in the form of loans, with the total final cost of projects equalling PLN 473,725,753.39. The total reduction of CO₂ emissions for these projects was estimated in applications for co-financing at 8.6 million Mg of CO₂/year.

The assessment of applications was underway until 31.12.2010.

3. Description of the Greening Activities

The applications for co-financing submitted under the call for proposals referred to in paragraph 2.3 above cover the following buildings: educational facilities (75 buildings), healthcare services (105 buildings), higher education schools (17 buildings), self-government facilities (9 buildings), cultural institutions (4 buildings), Volunteer Fire Fighter Brigade (2 buildings), church buildings (13 buildings) and other (9 buildings).

The assessment procedure within the period covered by this Report was not completed for any application. Detailed information will be presented in further Greening Performance Reports.

4. Financial performance of the activities

The assessment procedure within the period covered by this Report was not completed for any application, and hence no funds were disbursed. The information on the planned dates for disbursement of funds by NFOŚiGW to the Beneficiaries will be included in the subsequent Greening Performance Reports.

Within the period covered by this Report, no other disbursements were made in relation to agreement execution by the National Operator of the Green Investment Scheme.

5. Greening Effects

Information about the environmental effects estimated as of the day of publishing the announcement on the call for proposals and indicated in the applications for co-financing is presented below.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Estimation of the environmental effect indicated in the rules of the call for proposals (in thousand Mg of CO₂/year)</th>
<th>Estimation of the environmental effect resulting from the submitted applications for co-financing [in thousand Mg of CO₂/year]²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural biogas plants</td>
<td>49</td>
<td>1,111.2</td>
</tr>
<tr>
<td>Biomass fired power plants</td>
<td>108</td>
<td>186.4</td>
</tr>
<tr>
<td>Energy management in public service buildings</td>
<td>138</td>
<td>8,600</td>
</tr>
</tbody>
</table>

Verified information will be presented in further Greening Performance Reports.

6. Environmental compliance

In case of Greening Programmes concerning the agricultural biogas plants and biomass combined heat and power plants and heating plants, the competition-related documents indicated that it was

² Data before substantive assessment that are based on the information presented by the Applicants. These data can be affected by errors arising from irregularities in the calculations presented by the Applicants.
necessary to meet relevant requirements arising from the environmental protection regulations, including the environmental impact assessments.

The information on the impact of planned projects on the environment and of applied procedures connected with the environmental impact assessment of the projects will be included in the documentation submitted at the second stage of the competition procedure. In consequence, the information on compliance with environmental protection requirements will be presented in further Greening Performance Reports.

As regards the activities concerning modernisation of heating systems of the existing buildings, the most important environmental requirement is protection of species of birds and bats. Therefore, the instructions concerning their protection were annexed to the Priority Programme.

7. **Main Activities of the National Operator**

7.1. **Implementation issues addressed by the NO**

The Purchase Agreement in question includes many provisions indicating the performance of particular actions by the Selling Party, which is, according to the Agreement, the Republic of Poland (represented by the Minister of the Environment). In cases where such actions are indicated as the tasks of the NFOŚiGW in the Act of 17 July 2009 on the system to manage the emissions of greenhouse gases and other substances, such actions are carried out directly by the NFOŚiGW.

In the course of works related to implementation of the Purchase Agreement in question, a lack of consistency between the provisions was identified as regards the deadlines for submitting reports to the Purchasing Party (the deadlines were calculated on the basis of the number of days indicated in the clauses of the Greening Plan):

<table>
<thead>
<tr>
<th>Report</th>
<th>Deadline for submitting the report acc. to the Greening Plan (clause no.)</th>
<th>Deadline for submitting the report acc. to the Table 1a/1b Section 5 of the Greening Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>submission to the auditor / reviewer</td>
<td>submission to the Purchasing Party</td>
</tr>
<tr>
<td>Annual Financial Report</td>
<td>10 April each year [18 (b) (ii)]</td>
<td>10 April each year [18 (b) (xiv)]</td>
</tr>
<tr>
<td>Annual Greening Performance Report</td>
<td>10 April each year [18 (a) (viii)]</td>
<td>10 April each year [18 (b) (xiv)]</td>
</tr>
<tr>
<td>Final Greening Performance Report</td>
<td>29.05.2016 [18 (a) (viii)]</td>
<td>-</td>
</tr>
</tbody>
</table>

The NFOŚiGW proposes to consider as binding the deadlines for submitting reports indicated in the Table 1a and 1b in Section 5 of the Greening Plan, since they fully describe the schedule for preparation and submission of reports.

7.2. **Other activities related to GIS management**

In 2010 the NFOŚiGW conducted the following activities relating to the implementation of the Green Investment Scheme:

1. Development of methodologies for monitoring, estimating and verifying emissions’ reduction on the basis of appropriate methodologies of the mechanism of Joint Implementations (JI) and
Clear Development Mechanism (CDM) for the purpose of the Greening Programme being implemented.

According to the requirement specified in clauses 18 (a) (ii) and (iii) of the Greening Plan, at the beginning of 2010 the NFOŚiGW conducted tender proceedings (under the open tender procedure) in order to select a consultant who would develop such methodologies. The contract was entered into with the contractor on 22.02.2010, and its performance was completed on 27.10.2010.

The methodologies were approved by the Monitoring Committee during a session on 16.07.2010 as part of fulfilment of conditions precedent of the Purchase Agreement.

2. In 2010, three sessions of the Monitoring Committee were held: on 25.06.2010, 16.07.2010 and 10.08.2010 (the first formal session). They pertained to the progress made in the preparation of competition documentation for the Greening Programmes under implementation and compliance with the conditions precedent of the Agreement.

3. Dissemination of information on the Green Investment Scheme


3.2. Presentation of information on the Green Investment Scheme during trade conferences and in the Sejm of the Republic of Poland, and in particular during:

3.2.1. “Forum Biogaz 2010” (Biogas Forum) Conference, Warsaw, 04.03.2010,

3.2.2. “Ochrona klimatu szansą dla gospodarki i społeczeństwa” (Climate Protection as an Opportunity for Economy and Society) Conference, Sejm of the Republic of Poland, 27.04.2010,


3.2.4. Trade conference on implementation of investments in biogas, Poznań, 19.05.2010,

3.2.5. “Polish Green Investment Scheme Opportunities for Spanish Industry” presentation, GENERA trade fair 2010, Madrid, 20.05.2010,

3.2.6. 2nd Eco-energy Forum, 16-18.09.2010, Polkowice.

3.3. In 2010 more than 800 publications on the subject of Green Investment Scheme were published in the press and over 1,000 in the Internet.

Data and signature of the report’s author: ..............................................................

Date and signature of the person accepting the report: ..............................................................

Date and signature of the person accepting the report: ..............................................................

Date and signature of the person approving the report: ..............................................................
Greening Performance Report under the Agreement of 5 May 2010 entered into with EBRD representing the Government of Ireland