



Natural Resources  
Canada

Ressources naturelles  
Canada

# **World Class Tanker Safety System Operational Science**

## **Oil Spill Response Science Program RD&D Contribution Program**

### **Request for Project Proposals Applicants' Guide**

Natural Resources Canada  
Office of Energy R&D

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## **Preface - Request for Project Proposals Process**

This Applicants' Guide outlines the Request for Project Proposals (RPP) process for research, development and demonstration (RD&D) projects to be funded under the Oil Spill Response Science (OSRS) Program.

The Guide explains how Natural Resources Canada (NRCan) will review, in a consistent, fair, and transparent manner, Project Proposals in order to identify, select, and approve an allocation of funding to those projects that best fit with the Program's objectives.

The deadline for submission of Project Proposals is **23:59 EST, January 25, 2017**. Project Proposals submitted after that deadline will not be accepted. Submission of a Project Proposal and other required information does not imply that the proposed project will be approved for funding under the Program. Failure to provide all of the requested information may lead to the rejection of the proposal.

This Applicants' Guide provides guidance on the project documentation to be submitted. Project Proposals will be evaluated and ranked according to the criteria outlined in this document. The project selection process is competitive, it is expected that more eligible projects will be submitted than there is funding available.

Any approvals under this process will be conditional upon the execution of a contribution agreement. Until a written contribution agreement is signed by both parties, no commitment or obligation exists on the part of NRCan to make a financial contribution to any project, including any costs incurred or paid prior to the signing of such contribution agreement.

NRCan officials will not entertain any request by potential proponents to review or revisit NRCan's project approval decisions.

NRCan reserves the right to alter or cancel the currently envisaged process and deadlines at its sole discretion. Any changes will be communicated to applicants via e-mail.

### **1. OSRS RD&D Focus**

The OSRS Program is a conditionally repayable, contribution program, led by NRCan, to support the Government of Canada's initiative to implement a World-Class Tanker Safety System. Under this call for proposals, it will provide \$3.6 million over two years (2017-2019) for research, development and demonstration (RD&D) projects **focused on improving recovery technologies and processes for the cleanup of heavy oil products spilled in marine environments**.

Development is defined by NRCan as systematic work, drawing on existing knowledge gained from research and/or practical experience that is directed to producing new materials, products or

devices, to installing new processes, systems and services, or to improving substantially those already produced or installed. Demonstration projects involve the design, construction, and operation of a prototype of a technology at or near commercial scale with the purpose of providing technical, economic and environmental information to industrialists, financiers, regulators and policy makers (OECD Frascati Manual 2002).

## **2. Terms and Conditions of OSRS**

The RD&D component of OSRS has the following terms and conditions. These features will be incorporated in the contribution agreements entered into with selected applicants.

### **2.1 Definitions**

**“Contribution”** means funding provided by Canada under the contribution agreement.

**“Eligible Expenditure Period”** means the period starting on the date the Agreement is signed by Canada and ending on the Completion Date or March 31, 2019, whichever date occurs first.

**“Eligible Expenditures”** means any expenses Incurred by the Proponent within the Eligible Expenditure Period, which are cash disbursements made with respect to the activities set out in the Project Proposal.

**“Incurred”** means, in relation to an Eligible Expenditure, that for any given Fiscal Year, such Eligible Expenditure or a portion thereof that is owing and due

**“Incurred and Paid”** means, an Eligible Expenditure, that said Eligible Expenditure has been paid for by the Proponent.

**“Ineligible Costs”** means verifiable but non reimbursable cash or in-kind contributions (other than the Contribution) either received or contributed by the Proponent incurred between the date the Agreement is signed to March 31, 2019 and directly attributable to the Project.

**“Profit”** means in relation to the project, the net income as determined by the Generally Accepted Accounting Principles (GAAP).

**“Project”** means the Applicant’s Project Proposal, as submitted to NRCan.

**“Total Project Costs”** means the Contribution and other verifiable contributions either received or contributed by the Proponent from the date the Agreement is signed to the Completion Date and directly attributable to the Project

## **2.2 General Features**

The administration of the Project Proposal review phase of OSRS will occur in two parts: (1) submission of a Project Proposal package for review and (2) entering into a contribution agreement acceptable to NRCan. NRCan will make the final decision as to which projects will receive funding, and the level of support that will be available to each project.

An applicant may withdraw its Project Proposal without penalty at any stage of the evaluation process, by written notice.

All non-confidential communications in relation to this process must be in writing via e-mail to [nrcan.oilspillrespesciprogram@nrcan.gc.ca](mailto:nrcan.oilspillrespesciprogram@nrcan.gc.ca).

## **2.3 Timeframe for funding (Eligible Expenditure Period)**

The Eligible Expenditure period for funding support under this call for proposals is a maximum period of two years from the date the Agreement is signed by Canada to March 31, 2019. No costs incurred prior to the date a contribution agreement is signed will be counted as Eligible Expenditures. They should, however, be included as Ineligible Costs in the Project Proposal so as to count toward the Total Project Costs. Until a written contribution agreement is signed by both parties, no commitment or obligation exists on the part of NRCan to make a financial contribution to any project, including reimbursement of any costs incurred or paid prior to the signing of such contribution agreement.

## **2.4 Eligible Recipients**

For RD&D projects, eligible recipients are legal entities validly incorporated or registered in Canada, including companies involved in the development and production of oil spill recovery equipment and methodologies, consulting firms specializing in oil spill recovery, oil spill response organizations, oil companies, pipeline companies, shipping companies, industry associations, research associations, standards organizations, aboriginal and community groups, Canadian academic institutions, and provincial, territorial, regional and municipal governments and their departments and agencies.

## **2.5 Eligible RD&D Areas**

Eligible RD&D projects would support new/enhanced recovery technologies or protocols applicable to a wide range of heavy oil product spills such as diluted bitumen, that exhibit behaviours from floating to neutrally buoyant (submerged or suspended) to sunken products. Application to spills in adverse conditions such as turbid water, wave action, sediment and other debris, strong currents and changing temperatures could be considered. Spill locations of heavy oil products could be offshore, nearshore, near freshwater sources (brackish water) and/or shoreline.

RD&D projects could include, but is not limited to work in one or more of the following areas:

- **Mechanical Recovery:** such as booms, skimmers, sorbents
- **Chemical Treatment:** such as dispersants, herding agents
- **Bioremediation:** such as novel approaches to improve rates of microbial degradation of hydrocarbons at the spill site

## 2.6 Project Location

The project location will be in Canada.

## 2.7 Eligible Expenditures

Eligible Expenditures for an approved project under OSRS must be directly related to, and necessary for, the implementation and conduct of a project as defined in the terms of the contribution agreement.

Please refer to Appendix 1 for further information on Eligible Expenditures.

## 2.8 Maximum Amount Payable per Project

The maximum amount payable by the OSRS Program over the entire course of a project will be \$1 million (CAD).

The amount of funding to be provided from the OSRS program and the frequency of the payments to recipients will be determined based on the recipient's cash flow requirements—up to the maximum reimbursement of 75% of Total Project Costs or 100% of Eligible Expenditures, whichever is lower. To ensure that the funding is the minimum necessary to complete the project, the amount of funding will take into consideration other sources of funding available to the recipient.

The proponent's contribution towards the Total Project Cost, and that of its partner(s), may be partially in the form of eligible and verifiable in-kind support, provided that it directly supports the project. **However, cash contribution is strongly preferred, and the relative amounts of cash contribution and in-kind will be taken into account as an assessment criterion.** NOTE: In-kind support is not reimbursable as an Eligible Expenditure. On-going operational costs cannot be considered as an in-kind cost to the Project. In other words, a recipient cannot provide in-kind costs that they incur as part of their on-going operational activities. In-kind costs can only be incremental costs incurred as part of carrying out the Project.

Please refer to Appendix 2 for further information on in-kind support.

## **2.9 Basis of Payment**

Payments may be made based on receipt and approval of financial reports signed by the recipient's Chief Financial Officer (or duly authorized officer) outlining actual eligible expenditures incurred for the project. Payments will be made based on receipt of valid and complete invoices, as outlined in the Contribution Agreement, as well as upon receipt of the documentation as defined in Contribution Agreements.

Advance payments may be allowed in accordance with the Treasury Board Directive on Transfer Payments, where requested by the recipient and based on an assessment of their need, risk levels and cash flow requirements.

In order to ensure appropriate project oversight, a minimum holdback of 10% would be applied to each payment and released once all conditions of the contribution agreement have been met.

Proponents may be audited one or several times either at project completion or at NRCan's discretion during the project. Auditors will call and potentially visit each proponent on-site at the beginning of the project to explain the auditing process, and review project financial controls.

## **2.10 Stacking Limit**

Prior to signing contribution agreements, on an annual basis, and upon project completion, proponents will be required to disclose all sources of funding on individual projects, including contributions from other federal, provincial/territorial, and municipal governments and industry sources.

For RD&D projects, total Canadian government funding (federal, provincial/territorial and municipal governments) must not exceed 75% of Total Project Costs during the Eligible Expenditure Period. If the proposed total Canadian government assistance exceeds 75%, Canada reserves the right to reduce the OSRS contribution to the project until the 75% stacking assistance limit is met. If total Canadian government assistance exceeds 75% upon project completion, Canada reserves the right to recover the excess contribution from the recipient.

In the case where the recipient is a provincial, territorial, regional and municipal government or their departments and agencies, the total Canadian government funding authorized will not exceed one hundred percent (100%) of Total Project Costs.

Note that the government assistance referred to in these stacking limits does not include loans from governments or Crown agencies; however, if a preferential interest rate is obtained through government loans, the cost savings due to the preferential rate would be included. Clarifications will be provided on a case-by-case basis.

## 2.11 Reporting Requirements

As a condition of the contribution agreement, project proponents will be required to provide periodic reports updating NRCan on the status of the project, the percentage of budget spent and any issues that may cause the project schedule or expected expenditures in the current fiscal year to change.

The reporting requirements for recipients receiving a Transfer Payment from the Oil Spill Response Science (OSRS) Program would be as follows:

### On a quarterly basis:

- i) A financial report signed by the Chief Financial Officer or Duly Authorized Officer of the organization which outlines eligible expenditure incurred by nature of expenditures;
- ii) An updated Project annual cash flow statement and budget;
- iii) A report of activities in sufficient detail to allow progress to be evaluated, including the status of the project (on schedule, ahead or behind schedule), what is the percentage of total tasks completed, is the project on budget, and what is the percentage of budget spent to date? The report should identify any concerns that NRCan should be made aware of, and explain how they are being addressed.

### On an annual basis:

A report, using a template supplied by NRCan, that shall provide a summary of activities during the year, together with performance indicators to indicate how the project has been contributing to the overall objectives of the OSRS program.

### At the end of the project:

- i) A financial report that shall demonstrate how the contribution was spent, with a declaration as to the total amount of contributions or payments received from other sources in respect of the Project.
- ii) A final narrative report to describe how project activities have contributed to the achievement of the objectives of the project, including:
  - a review of the results of the project in comparison to the original deliverables and work plan, with explanations of any deviations;
  - a description of the benefits that have or would accrue as a result of the project including energy efficiency, environmental impact, costs and paybacks, and any other appropriate measures such as productivity and quality improvements; and
  - a final project cost table.

iii) Copies of any non-proprietary reports arising from and prepared during the course of the project

iv) A report that describes the recipient's knowledge dissemination activities. In addition, the recipient will provide NRCan with an information package of non-proprietary, non-confidential materials that can be shared with the general public. This information will be provided in soft copy to NRCan. NRCan will have the right to post this information on its web site and make it available to the industry and the public, through various means, for example by making it available at public and international conferences. Examples of such information materials are:

- Copies of PowerPoint and other presentation materials presented at conferences and other public events
- Links to web pages posted on public web sites
- Copies of journal articles (or journal article abstract and links to the journal article if it is a paid publication)

For a period of 5 years following the end of the project:

(i) Annually, an updated Outcomes Report, using a template supplied by NRCan, to report on short term, intermediate term, and, to the extent possible, long term outcomes. Short term outcomes would include: knowledge transfer and collaboration. Intermediate outcomes would include: new knowledge to inform new and revised policies, codes, standards and regulations; strengthened Canadian capacity for the implementation of clean energy alternatives. Long term outcomes would include heavy oil spill recovery technologies and methodologies and adoption by industry of such new technologies and methodologies.

(ii) For Repayable Contributions, annually, a financial report on the profitability, if any, of their project, based on generally accepted accounting principles.

(iii) An update to any knowledge dissemination activities, as well as any new information that can be made available to the industry and the public. Regular communication between NRCan and the recipients will be implemented to monitor progress.

## **2.12 Repayable Contributions**

It is not expected that transfer payments under the OSRS program would lead to recipients generating profits or to increasing the value of their business. However, in accordance with the Treasury Board Directive on Transfer Payments, contributions would be conditionally repayable where a funded project is profitable. The requirements that may trigger repayments will be detailed in the contribution agreement, along with the process for repayment.



All contribution agreements in the OSRS program will be conditionally repayable. Recipients will be required to provide an annual financial statement on the profitability, if any, of their project for a period of 5 years following the end of the project, using generally accepted accounting principles. Once a repayable contribution agreement is signed, the project information will be entered in an automated system in order for the program to monitor the repayability and repayment conditions.

If a profit is generated, then the amount to be repaid would be: profit multiplied by the proportion of OSRS Program funding to total project costs. The repayability clause will be applicable from the date of the signing of the contribution agreement to 5 years after the project end date, which is in accordance with the time period over which NRCan will be monitoring outcomes of projects, following the end date of the program.

As part of its repayment administration process, NRCan will ensure that interest is charged on overdue repayments, in accordance with the Interest and Administrative Charges Regulations.

### **2.13 Other Terms and Conditions**

- Any intellectual property derived from any eligible project produced by the recipient or third party in carrying out the obligations under the funding agreement would vest in and remain the property of the recipient or third party.
- Approved projects would be subject to one or more external audits (recipient audits) to ensure that the terms of the contribution are respected. The requirements for recipient audits will be determined on a risk-based assessment on a project-by-project basis.
- Where appropriate, projects would be subject to appropriate environmental assessments prior to the release of any funds.
- Any agreement signed (or renewed) with other levels of government or private sector partners would provide for fair acknowledgement of the contribution of the Government of Canada in all communications with the public.
- No Member of the House of Commons shall be admitted to any share or part of the contribution agreements, or any resulting benefit.
- The Recipient will comply with the Conflict of Interest Act, the Conflict of Interest and Post-Employment Code for Public Office Holders.
- Funding may be cancelled or reduced in the event that departmental funding levels are reduced by Parliament. Agreements will include provisions for cancellations or reduction of transfer payments in this event.
- As part of project monitoring requirements, NRCan will have the right to visit and inspect all project sites, upon providing a reasonable notice to the project proponents.

### **3. Confidentiality and Security of Information**

The *Access to Information Act*, (the “Act”) governs the protection and disclosure of information, confidential or otherwise, supplied to a federal government institution. This Act is a law of public order. This means that the government of Canada, including NRCan, can not contract out of the Act.

Paragraph 20(1) (b) of the Act states that:

a government institution [such as NRCan] shall refuse to disclose any record requested under the Act that contains financial, commercial, scientific or technical information that is confidential information supplied to a government institution by a third party and is treated consistently in a confidential manner by the third party.

Paragraph 20(1) (b) of the Act sets out two mandatory criteria in order to protect applicant’s confidential information supplied to NRCan from disclosure. First, the applicant’s documents supplied to NRCan must contain financial, commercial, scientific or technical information. Second, the applicant must consistently treat such information in a confidential manner. So, NRCan will protect the applicant’s confidential information in its possession as much as the applicant protects said confidential information in its own establishment: if the applicant chooses to send the Project Proposal or other confidential information to NRCan by e-mail, NRCan will respond to the Project Proposal by e-mail. Similarly, if the applicant’s correspondence is through regular mail, NRCan’s response will be in like manner. However, in all cases, NRCan will use e-mail correspondence to the applicants for all non-confidential matters.

For more information on this subject, a careful reading of the entire section 20 of the *Access to Information Act* is greatly encouraged.

### **4. Canadian Environmental Assessment Act 2012**

The *Canadian Environmental Assessment Act, 2012* (CEAA) is the legal basis for the federal Environmental Assessment (EA) process for most projects in Canada, except for projects in the Mackenzie Valley, the Yukon and in Nunavut, where other processes and legislation may apply. The CEAA outlines the responsibilities, requirements and procedures for the environmental assessment of projects and establishes a process for assessing the potential environmental effects of “projects” in which the Government of Canada has a decision-making responsibility.

Proponents should clearly indicate in their project proposal if a federal environmental assessment is required, as additional information may be requested by the Program.

## 5. Application Schedule and Process

### 5.1 Application Schedule

Deadline for submission of Project Proposals	January 25, 2017
Proposal review and selection	January – February 2017
Applicants notified of NRCan decision	March, 2017
Negotiation of contribution agreements	Summer, 2017

The above schedule is subject to change. Any changes will be communicated to applicants via e-mail.

### 5.2 Submitting a Project Proposal

Proposals must be submitted by providing a completed proposal template (included in the Applicants' Package), without which they will not be considered. The completed template must be submitted as a Word file **and in addition**, the applicant must separately print and sign the attestations page, scanning and sending the signed version as a PDF. Printed and mailed versions of the proposal and attestations will be accepted, but electronic versions are preferred

An applicant may provide supporting material for any aspect of the Project Proposal. Please note that the maximum total size of attachments to submissions by e-mail must not exceed 9Mb. Applicants are required to submit all of the above documents **by 23:59 p.m. EST, January 25, 2017**. It is the applicant's responsibility to retain proof of time the documentation package was sent to NRCan. This may be required in the event that NRCan does not receive the documentation package by the deadline for reasons that are beyond the control of the sender.

As per Section 3 above, NRCan recognizes that e-mail is not a secure means of communication, and NRCan cannot guarantee the security of confidential information sent via email while it is in transit. Nonetheless applicants may choose to submit their documentation packages by e-mail to [nrcan.oilspillrespsciprog-oilspillrespsciprog.rncan@canada.ca](mailto:nrcan.oilspillrespsciprog-oilspillrespsciprog.rncan@canada.ca).

Applicants may also submit their documentation by courier or registered mail to:

Oil Spill Response Science Program  
Office of Energy Research and Development  
Natural Resources Canada  
580 Booth St., 14th floor  
Ottawa, ON K1A 0E4

Where applicants submit by courier or registered mail we request that an e-mail be sent by the submission deadline advising NRCan of this. Included in the submitted package must be an electronic version on a memory stick, clearly marked with the name of the organization and the title of the project. Applicants should also retain proof of the time their Project Proposal package was presented to the courier or mail service.

### 5.3 Requests for Supplementary Information

NRCan may request supplementary information at various points in the review process. These requests will be made via e-mail. NRCan may also request presentations by the applicants, either in person or by teleconference, during the review process.

## 6. Selection Criteria

Applicants must address all of the criteria below in their Project Proposal, providing supporting documentation for all assertions. Once co-funding is in place, partners are required to provide letters of support indicating their cash or in-kind contribution. Note that the description of the individual criteria below are indicative of the factors considered by reviewers, but are not meant to be all inclusive. Applicants are urged to submit all information they feel would be relevant in addressing the criteria in their Project Proposal. Project Proposals will be rated and ranked on a comparative basis, against other Project Proposals being reviewed, based on the following criteria and on an overall assessment of individual Project Proposals. The full project proposal should not exceed 30 pages in length.

#### *Mandatory Criteria:*

Project Proposals will be evaluated using the following mandatory criteria:

Mandatory Criteria	
Is the applicant an eligible recipient of funding under this request for a Project Proposal?	Yes/No
Does the Project Proposal meet the scope of the OSRS Program?	Yes/No
Does the funding requested from OSRS fall within the allowable maximum limits?	Yes/No
Is the required co-funding in place?	Yes/No
Is the Project Proposal complete, with all requested documentation?	Yes/No

If any of these is “no” the Project Proposal will not be reviewed.

#### *Evaluation Criteria:*

Project Proposals that meet the mandatory criteria listed above will then be reviewed and ranked based on the overall clarity of the project description (Section 2.1 of the Project Proposal template), on the criteria that are identified in Section 2.2 of the template, on the project team (Section 3 of the template) and on the project milestones and budget plan (Section 4 of the template).

*Other Considerations:*

In addition to the above criteria, NRCan reserves the right to consider other criteria, such as regional balance, in the final project selection. Any such criteria will be applied equitably to all Project Proposals reviewed.

## **7. Proposal Review and Selection Process**

Federal Expert Committees will be responsible for reviewing Project Proposals, on the basis of the above assessment criteria. Note that federal reviewers are bound by the requirements of the *Access to Information Act* and the *Privacy Act* regarding the treatment of confidential information.

## **8. Commitment to Fairness and Transparency**

NRCan is committed to a fair and transparent process for managing the Oil Spill Response Science Program. All assessments and decisions made by NRCan will be done in accordance with this commitment. NRCan staff responsible for managing this call for Project Proposals will not provide any *specific* guidance or advice on preparing a Project Proposal. No meetings on the OSRS program will be held between any applicant and program staff involved with the project selection process.

Decisions made will be final, and no appeals process will be allowed. However, both successful and unsuccessful applicants will be notified, and unsuccessful applicants will be offered the opportunity to receive formal feedback on the review of their Project Proposal.

## **9. Service Standards**

Natural Resources Canada will:

- Acknowledge receipt of Full Project Proposals within two business days (95 percent of the time)
- Respond to requests for information through the OSRS email address within five business days (90 percent of the time);
- Provide written confirmation on the eligibility of the project proposal within 15 weeks of receipt of the proposal (90 percent of the time);
- Provide written confirmation that the proposal will proceed to the due diligence process within 10 business days after decision on initial eligibility of project proposal (90 percent of the time);
- Provide written confirmation that the proposal will receive funding, including the due diligence process, within 6 months after the start of due diligence (75 percent of the time);

- Prepare and have a signed contribution agreement within 14 weeks after the due diligence is completed (80 percent of the time);
- Prepare and complete an amendment of a contribution agreement within 14 weeks upon request from project recipient (90 percent of the time);
- Issue payment based on final and complete supporting documents including invoices and other supporting documentation within 30 calendar days (90 percent of the time).

## Appendix 1: Eligible Expenditures

Eligible Expenditures for an approved project under the Oil Spill Response Science Program must be directly related to, and necessary for, the implementation and conduct of a project as defined in Schedule A of a contribution agreement, and will include:

- salaries and benefits for employees on the recipient's payroll, for actual time spent by the employees on the project;
- professional, scientific, technical and contracting services;
- reasonable travel costs, including meals and accommodation;
- printing services;
- data collection services, including processing, analysis and management;
- licence fees and permits;
- field testing services;
- rental or leasing of land or facilities for the duration of the Project;
- purchase, installation, testing and commissioning of qualifying equipment, materials and products equipment and products, including diagnostic and testing tools and instruments;
- laboratory and field supplies and materials; and
- overhead expenses, provided they are directly related to the conduct of the project and can be attributed to it.

**Salaries:** Salaries include wages for all personnel with direct involvement in the project such as engineers, scientists, technologists, draftsmen, researchers, laboratory, experimental and shop labour. All eligible personnel must be employees on the Proponent's payroll. Payment in terms of shares, stock, stock options and the like are not eligible. The amount invoiced shall be actual gross pay for the work performed and shall include no mark-up for profit, selling, administration or financing.

The eligible payroll cost is the gross pay of the employee (normal periodic remuneration before deductions). Normal periodic remuneration rates are the regular pay rates for the period excluding premiums paid for overtime or shift work. The payroll rate does not include any reimbursement or benefit conferred in lieu of salaries or wages. When hourly rates are being charged for salaried personnel, the hourly rates shall be the periodic remuneration (annual, monthly, weekly, etc.), divided by the total paid hours in the period including holidays, vacation, paid sickness time.

Labour claims must be supported by suitable records such as time sheets and records, and be held for verification at time of audit. Management personnel are required to maintain appropriate records of time devoted to the project.

**Benefits:** Benefits are defined as a reasonable prorated share of expenses associated with the

direct labour cost such as the employer's portion of Canada Pension Plan, Quebec Pension Plan and Employment Insurance, employee benefits such as health plan and insurance, Worker's Compensation, sick leave and vacation plus any other employer paid payroll related expenses. Those items which have no relationship to the project or which have been charged on an indirect basis are non-eligible. The determination of the fringe benefits amount shall be in accordance with generally accepted cost accounting principles. In general, fringe benefits rate provided in the project estimate shall be computed once during the life of the project and agreed on prior to the signing of the Agreement. If retroactive adjustments are made, these must be indicated on claims for progress payments for NRCan approval.

**Materials:** Materials include those consumed in carrying out the project, including those utilized in the production and operation of models, prototypes and pilot plants. Only utilities consumed to operate equipment or processes are eligible and may be metered and reported separately from the total utility cost. Utilities used for buildings are not eligible.

Materials purchased solely for the project and issued from the Proponent's inventory are eligible. All materials shall be charged to the project at the net price excluding GST after deducting all trade discounts and similar credits. Surplus materials shall be credited to the project at the original purchase price.

**Equipment:** Equipment consists of equipment acquired or constructed exclusively for the project. In order to be eligible, such equipment must be identified in the project cost estimate, and approved by the Minister. All such equipment shall be charged to the project at the net price (excluding GST) after deducting all trade discounts and similar charges.

Where such equipment is obtained from another division of the Proponent or from a related company, the Eligible Expenditures shall not exceed fair market value and shall not include any mark-up for profit, administration, selling or financing expense.

**Sub-Contractors and Consultants:** The nature of goods or services to be acquired shall be set out in the Project Proposal estimate. The amount eligible from a sub-contractor or a consultant shall be the actual contract amount.

**Testing Services:** Eligible testing services are those conducted by testing organizations or accredited laboratories, such as the Canadian Standards Association, Underwriters Laboratories and must be essential to the success of the project. Testing services shall be charged at actual cost. Regulatory costs, where required may be eligible e.g. testing to comply with Environmental Standards. All such costs should be identified in the original Project Proposal cost estimates.

**Travel, Meals and Accommodation costs:** Unless stated otherwise in the contribution agreement between the NRCan and the proponent, Treasury Board rates that are in effect at the time of signing the contribution agreement shall be used in reimbursing the following expenses:



- Travel, food and lodging costs to meet with NRCan officials.
- Travel, food and lodging costs necessary for other project activities, e.g. field trials and demonstrations at locations away from the proponents usual location; project planning and review meetings between the principal proponent and its partner(s).

**Overhead expenses:** With regard to Overhead Expenses, they may include:

- administrative support provided directly to the project by the proponent's employee(s), valued on the same basis as professional staff time;
- routine laboratory and field equipment maintenance, based on the actual cost to the proponent that is directly related to the project;
- heat, hydro, and office operating costs (e.g. faxes, telephone), provided that they are directly related to the project.

Overhead costs will be negotiated and agreed to on an individual basis with project proponents before signing a contribution agreement. **They will not exceed 15% of Eligible Expenditures.**

#### **Non-Project Costs**

- Foreign Taxes
- Federal and Provincial Taxes
- The purchase of land and costs associated with the purchase
- Legal Costs
- Depreciation expenses associated with existing equipment
- All expenditures associated with the protection of Intellectual Property (IP)
- Expenditures made outside of the Eligible Expenditure Period

## Appendix 2: In-Kind Support

The OSRS program accepts In-Kind contributions (defined below) as part of the Total Project Costs, subject to the definitions and limitations described in this section. Note, however, that strong preference is given to cash contributions, and the relative amount of cash to in-kind may be taken into account in project selection. **NOTE: In-kind support is not reimbursable as an Eligible Expenditure.**

### Definitions

- In-kind support - a cash-equivalent contribution in the form of an asset<sup>1</sup> for which no cash is exchanged but that is essential to the project and that would have to be purchased by the project proponent on the open market, or through negotiation with the provider, if it were not provided by the project proponent.
- Fair market value - the average dollar value the project proponent could get for a contributed asset in an open and unrestricted market, between a willing buyer and a willing seller (the proponent) who are acting independently of each other. As a guide, it should approximately represent the original cost minus the depreciation.
- Most favoured customer - a customer given the deepest discount from the normal selling price for a good or service sold to it by the project proponent.

### IMPORTANT NOTE

Proposed in-kind contributions that are deemed acceptable by NRCan officials must be supported by a formal commitment from the project proponent to provide them, prior to any commitment on OSRS funding to the proposed project being made.

### Purpose

The purpose of this section is to identify the kinds of non-cash contributions (“in-kind support”) that are acceptable as part of the overall funding for the project from the project proponent<sup>2</sup>, and to provide guidance on how to put a value on those contributions.

### Eligibility of in-kind contributions

To be eligible as an in-kind contribution:

- The contributed asset must be from one of the categories identified below under the heading “Categories of Eligible In-Kind Support”
- It must be essential to a projects success and would otherwise have to be purchased by the project proponent

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<sup>1</sup> ”asset” in this section means a useful and valuable good, service or other support provided to the project.

<sup>2</sup> Unless otherwise indicated, “project proponent” in this section refers to the project applicant and its partners, collaborators, and subcontractors

- Its value must be determinable and verifiable
- Its valuation must be confirmed by NRCan officials or its auditors, and agreed upon by the project applicant and NRCan before a contribution agreement is signed.

### **Assessing the Value of In-kind Contributions**

Two different approaches to the valuation of in-kind support are possible:

- Using the fair market value, as described above.
- Using the incremental cost – the cost to the project applicant or its partners and collaborators of providing the contributed asset over and above normal operating costs.

### **Categories of Eligible In-Kind Support**

#### **1: Salaries and Benefits**

This category addresses the provision of the project proponents employees time to undertake work, such as research, technology development and assessment, and expert analysis that is wholly and directly in support of the project.

- Services of an employee of the project proponent shall be valued at the employee's regular rate of pay (plus an amount of fringe benefits that is reasonable, allowable, and allocable, but exclusive of overhead costs), provided these services are consistent with the duties for which the employee is normally paid.

#### **2: Professional, Scientific and Contracting Services**

This category addresses the provision of analytical and technical services. Analytical and technical services include routine laboratory and field technical services such as data collection, laboratory analyses and measurements, and field measurements, exclusive of equipment maintenance. These services may be provided by a component of the project proponent's overall organization, or provided to the project proponent by a third party.

- The value of analytical and technical services provided by or to the proponent should be the lesser of the project proponents internal rate<sup>3</sup> for the service if that service is provided internally (i.e., within the project proponents organization), or the incremental cost to the project proponent if it is provided by a third party.

#### **3: Provision of Equipment and Laboratory and Field Supplies and Materials**

This category includes equipment, laboratory supplies and field supplies that are provided by or to the project proponent, and the provision of access to, and use of, proprietary software and databases owned by or provided to the project proponent.

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<sup>3</sup> "Internal rate" means the rate that would be charged by the component of the project proponent that *provides* the service to the component of the proponent that *receives* it.

Values assessed for equipment and laboratory and field supplies and materials provided to the project must meet the following criteria:

- The value of supplies and materials shall not exceed the selling price to the providers most favored customer at the time of provision.
- The value of equipment shall not exceed the fair market value of equipment of the same age and condition at the time of provision.
- If the equipment is special purpose, one-of-a-kind, its value shall not exceed the cost to the provider of its design, testing and manufacture.
- The value of access to, and use of, proprietary software and databases should be the incremental costs to the project proponent of providing that access and use, such as staff time involved, including providing any required instruction on their use. Costs associated with developing the software or databases are ineligible as an in-kind contribution.

#### **4. Travel, Meals and Accommodation costs**

Unless stated otherwise in the contribution agreement between the NRCan and the proponent, Treasury Board rates that are in effect at the time of signing the contribution agreement shall be used in assigning a value to the following expenses.

- Travel, food and lodging costs to meet with NRCan officials.
- Travel, food and lodging costs necessary for other project activities, e.g. field trials and demonstrations at locations away from the proponents usual location; project planning and review meetings between the principal proponent and its partner(s).

#### **5. Overhead expenses**

With regard to Overhead Expenses, they may include:

- administrative support provided directly to the project by the proponent=s employee(s), valued on the same basis as professional staff time (as described under category 1);
- routine laboratory and field equipment maintenance, based on the actual cost to the proponent that is directly related to the project;
- heat, hydro, and office operating costs (e.g. faxes, telephone) telephone, provided they are directly related to the project.

Overhead costs will be negotiated and agreed to on an individual basis before signing a contribution agreement with project proponents. **They will not exceed 15% of Eligible Expenditures.**

### Appendix 3: Guide to Outputs and Outcomes

**Output** – Outputs are the products of the project. They are classed into two groups:

- **Interim Outputs** are not generally intended for dissemination beyond the project team and NRCan. They are indicators of progress in the project, in logical steps. Examples are project status reports, working papers, test reports, draft technical reports and analyses, and beta-version software products (including databases) for limited distribution for testing purposes. Some interim outputs (e.g. progress reports) may be required under the terms of the contribution agreement, should the project be approved for OSRS funding.
- **Final Outputs** are the products to be delivered at the end of the project that are intended for dissemination to, and use by, the intended beneficiaries of the project (including NRCan) - the stakeholders. Examples: technical reports and analyses; engineering analyses; prototype /early-stage technologies and systems developed and demonstrated; technology assessments; new measurement techniques and protocols; pilot installations; software products. Intended final outputs will be identified in the contribution agreement.

**Outcome** – Outcomes are the consequences attributed, in whole or in part, to the project. They are the changes or impacts to which the project leads. Outcomes are classed as short-term, medium-term and long-term (sometimes referred to as immediate, intermediate, and final, respectively).

- **Short-term Outcome:** Short-term (less than 1 year after completion of the project) flow directly from the project's final output(s). Example: new knowledge is made available, e.g. operating parameters, lessons learned regarding the implementation of a technology or methodology project, information on new technologies for recovering or removing spilled heavy oil products from marine environments, how barriers to deployment of the mechanical recovery of heavy oil products in marine environments were overcome, etc.
- **Medium-term Outcome:** Medium-term outcomes (typically 1-5 years after completion of the project) flow from the short-term outcomes. Examples: the project has been in full operation for some time; recovery of heavy oil products such as diluted bitumen have been documented; other benefits have been achieved; the project is intended to be replicated; lessons learned regarding operations, etc.
- **Long-term Outcome:** Long-term outcomes (typically more than 5 years after completion of the project) represent the *raison d'être* of the project. They flow from the medium-term outcomes: for example, wide scale deployment and operations of a new recovery technology leading to successful recovery of heavy oil products in marine environments.

## Appendix 4: Examples of Tables for Sections 4.1 and 4.2 of the Project Proposal Template

### Example of Table for Section 4.1 of the Template

The following is an example of a table summarizing the principal phases / tasks and completion dates for the project. It is for a hypothetical three-phase off shore wind project involving the applicant developing, testing and deploying equipment; contracted service providers to manage the deployed equipment and to collect and manage data; the applicant analyzing and interpreting the results of the project, and contracted printing of final reports. Please also refer to Appendix 3 - Guide to Outputs and Outcomes, of this Guide.

Please note that activities should be defined by fiscal year from April 1<sup>st</sup> to March 31<sup>st</sup>.

Tasks	Year	Principal Milestones	Completion date	Deliverables <sup>4</sup>
Reporting	all		As required	Progress reports as specified in contribution agreement
<b>Phase 1 – Project Design</b>				
Project Design	2017-18	Methodology determined and approved by project team  Review of applicable regulatory, certification, code and standard requirements.  Detailed Engineering Design approved	July 31, 2017  August 31, 2017  October 30, 2017	Final detailed project plan  Report on application codes, standards certification requirements and regulations  Detailed Engineering Design report
Equipment procurement	2017-18	Vendors selected for long lead time items  Long lead time items orders placed	December 31, 2017  January 15, 2018	Letters of Intent from Suppliers  Purchase Orders
Environmental Assessments & permits (assumes Canadian Environmental Assessment Act requirements met)	2017-18	Site selected  All permits obtained  Environmental Assessment completed  Power Purchase Agreement Obtained	      March 31 2018	Site Assessment.  Permits  Environmental Assessment  Power Purchase Agreement

<sup>4</sup> a term used in project management to describe a tangible or intangible object produced as a result of the project that is intended to be delivered to a customer (either internal or external) (Burley 2013). A deliverable could be a report, a document, a server upgrade or any other building block of an overall project. A deliverable may be composed of multiple smaller deliverables. It may be either an outcome to be achieved or an output to be provided (Appendix 4).

<b>Phase 2 – Project Implementation</b>				
Construction	2017-19	Mobilization of equipment and crew for deployment	July, 2018	Barge, staging areas, crew ready to begin deployment.
		Construction of foundations and deployment of turbines.	March 31 2019	Wind turbines in place
		Laying of cables and deployment of transformer.	October 31 2019	Electrical Infrastructure in place
Commissioning	2018-19	Commissioning of facility	October 31 2019	Commissioning reports
<b>Phase 3 – Analysis and Reporting</b>				
Data Analysis	2018-19	Analysis and interpretation completed	December 2019	Interim reports
Preparation of Final Reports	2018-19	Edited	February 15 2019	Draft Reports
		Distributed	March 31 2019	Final Reports Database (Final)
<b>Phase 4 – Knowledge Transfer and Dissemination</b>				
Participation in the development of Codes and Standards	2017-19	Committee approval of updated standard reflecting experience from project.	December 2019	Updated Standard
Delivery of technical paper	2017-19	4 Papers delivered to transfer knowledge.	October 2019	4 Technical Papers

### Example of Costing Table for Section 4.2 of the Template

Refer to Appendix 1 for a list of Eligible Expenditures.

The following table is an example of a costing table for section 4.2. It is for a hypothetical three-phase, two-year project involving the applicant developing, testing and deploying equipment; contracted service providers to manage the deployed equipment and to collect and manage data; the applicant analysing and interpreting the results of the project, and contracted printing of final reports. Please note all costs that are essential to the project but are not eligible for reimbursement, e.g. in-kind support. Refer to Appendix 2.

Please note that activities should be defined by fiscal year from April 1<sup>st</sup> to March 31<sup>st</sup>

Year / Phase / Task	Expenditure Type (from Eligible Expenditures)	Cost	OSRS Contribution
<b>2017-18</b>			
<b>Phase I – Project Design</b>			
Project Design	Salaries and benefits (applicant)	\$7,000	\$5,000
	Overhead expenses	\$900	\$ 700
	Professional, scientific and contracting services	\$200	\$ 100
	Field testing services	\$6,500	\$3,000
	Ineligible Costs (cash or in-kind; describe)	\$3,000	
Procurement	Salaries and benefits (applicant)		
	Equipment and products essential to the project.		
	Ineligible Costs (cash or in-kind; describe)		
Environmental Assessments & permits	Salaries and benefits (applicant)		
	Professional, scientific and contracting services		
	License fees and permits		
	Printing services		
Phase 1 Project Management (incl. planning meetings)	Salaries and benefits (applicant)		
	Professional, scientific and contracting services		
<b>2017-18</b>			
<b>Phase 2 - Project Implementation</b>			
Permit to deploy equipment	License fees and permits		
Field Installation	Salaries and benefits (applicant)		
	Ineligible Costs (cash or in-kind; describe)		
Field Testing	Field testing services		
	Ineligible Costs (cash or in-kind; describe)		
Data Collection and Processing	Data collection services, including processing, analysis and management		



Phase 2 Project Management (incl. review meetings)	Salaries and benefits (applicant) Professional, scientific and contracting services		
Field Testing and Monitoring (continued)	Field testing services Ineligible Costs (cash or in-kind; describe)		
Data Management	Data collection services, including processing, analysis and management Ineligible Costs (cash or in-kind; describe)		
<b>2018-19</b>			
Field Testing and Monitoring (completed)	Salaries and benefits		
Data Management	Data collection services, including processing, analysis and management Ineligible Costs (cash or in-kind; describe)		
Phase 2 Project Management (incl. review meetings)	Salaries and benefits (applicant) Professional, scientific and contracting services		
<b>TOTAL Phase 2</b>			
<b>Phase 3 – Analysis and Reporting</b>			
Data analysis	Salaries and benefits (applicant) Data collection services, including processing, analysis and management Ineligible Costs (cash or in-kind; describe)		
Preparation of Draft Report(s)	Salaries and benefits (applicant)		
Review meeting(s)	Travel for team members		
Printing and dissemination of knowledge products	Printing services		
<b>SUMMARY</b>			
<b>Total Phase 1</b>		\$17,600	\$8,800
<b>Total Phase 2</b>		etc.	etc.
<b>Total Phase 3</b>		etc.	etc.
<b>Project Total</b>		\$2,500,000	\$1,000,000