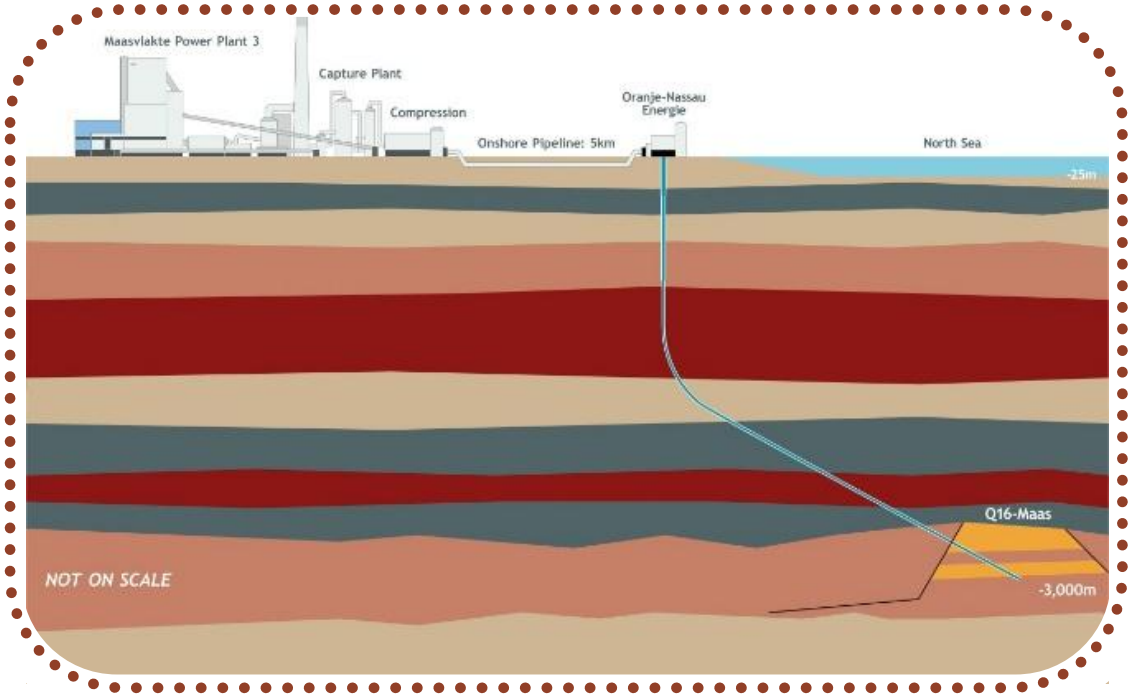
Public Close-Out Report

Finance and Control

Rotterdam Opslag en Afvang Demonstratieproject



Maasvlakte CCS Project C.V.

Date : February 2018

Version : Final

Authors : Rob Toonssen

SUPPORTED BY GLOBAL CCS INSTITUTE

Government of the Netherlands

Co-financed by the European Union
European Energy Programme for Recovery

Public Close-Out Report 9 of 11: Finance and Control

Grant Agreement number	:	ENER/SUB/323/EEPR2010/SI2.562990-SI2.563093
Project title	:	ROAD Project, Maasvlakte CCS Project C.V. (MCP CV)
Close-Out Report 9	:	Finance and Control
Period Covered	:	from 01/01/2010 to 26/11/2017

Hans Schoenmakers
Director Stakeholder Management
Maasvlakte CCS Project C.V.

Telephone	:	+31 (0)6 5346 9885
E-mail	:	Hans.Schoenmakers@uniper.energy
Project website address	:	www.road2020.nl

Index of ROAD Public Close-out Reports

No	Title	Scope
1	Overview	Introduce and summarise the public close-out reports.
2	Capture and Compression	Technical report covering capture, compression and power plant integration.
3	Transport	Technical report covering CO_2 pipeline transport.
4	CO_2 Storage	Both technical and commercial aspects of CO_2 storage for ROAD. Subsurface work required to demonstrate permanent storage is described.
5	Risk Management	The risk management approach used by ROAD.
6	Permitting and Regulation	Description of the regulatory and permitting framework and process for the ROAD project, including required changes to regulations.
7	Governance and Compliance	Company structure and governance for Maasvlakte CCS Project C.V., the joint venture undertaking the ROAD Project
8	Project Costs and Funding	A presentation of the projected economics of the project, with both projected income and costs.
9	***Finance and Control***	***Description of the financial and control systems, including the costs incurred and grants claimed.***
10	Knowledge Sharing	Outline of the Knowledge Sharing & Dissemination plan as developed by the ROAD project and completed KS deliverables and actions
11	Public Engagement	Description of how ROAD organized and managed the Public Engagement process.

Key Words and Glossary

Key Words / Abbreviations	Meaning of Explanation
A1 till A6	Costs categories under the EC grant agreement
Annual Accounts	IFRS based set of accounts for consolidation and grant reporting
Article 8 of Directive 2004/18/EC	Requirements under European tendering procedures
CV	Partnership (general partner and 2 limited partners)
CCS	Carbon Capture and Storage
Costs claim	Financial report for determining grants entitlement
Dutch State	Ministry of Economic Affairs
EBITDA	Earnings Before Income Tax, Depreciation and Amortization
EC	European Commission
EC audit department	Audit department of the European Commision
EC grant agreement	Original EEPR grant facility and amendments
EEPR	European Energy Programme for Recovery
Eligible costs	Costs qualifying for grants
FID	Final Investment Decision
GCCSI	Global CCS Institute (Australian)
IFRS	International Financial Reporting Standards
NL grant agreement	Grant agreement from Ministry of Economic Affairs
Parent Companies	(E.ON) Uniper Benelux BV + (GdF Suez) ENGIE Nederland BV
WP 2 till 7	Working packages under both the EC and NL grant agreement

Table of Contents

1. Management Summary

Project Summary

This report summarises financial reporting and financial status of the CCS demonstration project "ROAD" at termination. The ROAD Project (Rotterdam Opslag en Afvang Demonstratieproject) was one of the largest integrated carbon capture and storage (CCS) projects in the world, aiming to install carbon capture on a coal-fired power station in Rotterdam and store the CO_2 in an empty off-shore gas-field. The project ran from 2009 to 2017 and was a joint project of Uniper (formerly E.ON) and Engie (formerly Electrabel and GDF Suez).

To deliver the ROAD Project, special purposes vehicles have been founded - the legal entities Maasvlakte CCS Project CV and Maasvlakte CCS Project BV. This structure has been chosen to achieve limited recourse to the Parent Companies and to enable Parent Companies to set-off project losses against their profits to optimize tax-positions.

The project also had financial support from the EU EEPR program, the Dutch Government, the Port of Rotterdam and the GCCSI.

In the first phase of the project, 2009-2012, the project was developed to final investment decision (FID) based on using the TAQA P18-4 gas-field as the CO_2 storage location. This required a pipeline of approximately 25km from the capture location (Uniper's coal-fired Maasvlakte Power Plant – MPP3), about 5km onshore and 20km off-shore.

Unfortunately, the collapse in the carbon price undermined the original business case, and in 2012 a positive FID was not economically possible. The project then entered a "slow-mode" in which activities focused on reducing the funding gap, either by reducing costs or by securing new funding. In late 2014 a possible new funding structure was identified, and explored in 2015 and 2016. This included additional grants for operation and cost reductions. The cost reduction that could be successfully applied was to change storage sink to Q16-Maas, operated by Oranje Nassau Energie (ONE). This smaller field was much closer, with only a 6 km pipeline required. This resulted in a remobilization of the project late in 2016, and development of the new scheme. However, in mid 2017 work was again halted, and formally stopped in November 2017.

Scope of this Report

This report summarises the financial reporting and financial status of the ROAD Project at termination. A description of the financial controls, reporting issues and reporting methodology is included. Although written primarily from a financial reporting / control viewpoint, this report includes the actual incurred project costs and grant funding claimed by the ROAD Project in the period 2010-2017, which may be of wider interest.

Report Summary

For the execution of the ROAD-project, special purposes vehicles have been founded with the legal entities Maasvlakte CCS Project CV and Maasvlakte CCS Project BV. The CV is the beneficiary of the grant agreements whereas the BV only acts as "general partner" of the CV with an interest of 0.02%. Each of the Parent Companies participate in the CV for 49.99%. The BV is fully owned by the Parent Companies with 50% of the shares each.

The EC grant agreement provides for periodic interim reports (semi)annually. Next to the progress of the project against planning, the interim reports include the cost claim of eligible costs incurred in the corresponding period. The EC grant agreement does not refer to a specific overall framework for determination of eligibility of cost. From the grant agreement, discussions with the EC and the outcome of an interim audit by the EC Audit Department (covering period year 2010 and 1st half year 2011), the definition of eligibility of costs has developed over time.

As well as a number of accounting issues, conditions for tendering became a big issue in between the EC grant authority (DG Energy), the Audit Department and the European Court of Auditors in respect of the requirement for ROAD to adhere to the procedures as set out by Article 8 of Directive 2004/18/EC (public procurement) for the award of contracts. At the end, it was confirmed by the EC that the EEPR grant does not need to be

included in the calculation of the threshold for contracts subsidized by more than 50% by contracting authorities and therewith, that the above mentioned directive is not applicable to the ROAD project.

Based upon the interim periodic reports with the EC, the amount of grants have been determined for a total amount of €29.9M, of which paid €22.4 after deduction of 25% for pre-finance clearing. The EC grant agreement also provide for repayment to the EC of interest earned over the outstanding amount of the advance amount. Based upon an allocation algorithm in between the funders of the ROAD-project, this amount has been calculated at €1.6M. The NL grant agreement does not provide for interim settlements of grants over eligible costs and/or interest repayable over the advance amount.

The final costs claims are at the time of this close-out report still subject to expected audits to be performed by the EC Audit Department and/or the NL Grant Authority, possibly accompanied by representatives of both the Dutch and European Court of Auditors.

Annual Accounts are based upon IFRS. Whereas both grant agreements includes eligible investments costs, no CAPEX has been recognized in the Annual Accounts because of the loss-making position of the project over the full lifetime of the project.

With expenses higher than income from grants, Annual Accounts ended with continuous losses over the periods. Whereas the Company's liquidity position remained positive as a result from the (advance) amounts received under the grant agreements, equity position at each year-end was negative as a result from 1) the continuous losses over the years and 2) insufficient funding by means of capital contributions from the Parent Companies. The negative equity at each year-end caused significant doubt about the Company's ability to continue as a going concern without sufficient funding by the partners.

2. Introduction

2.1 Introduction

The ROAD project was one of the leading European CCS Projects from 2010 to 2017. During that time, a great deal of project development and engineering work was completed, including full design and procurement to allow a possible FID at end 2011 or early 2012.

This report is one of a set of "Close-out" reports written after the formal decision to terminate the project was made in September 2017. The report aims to summarise the governance and compliance structures used for the joint venture companies responsible for the project. The objective is to give future CCS project developers, and knowledge institutes, the maximum opportunity to use the knowledge gained and lessons learnt by the ROAD project team. While the specific company structure used by ROAD is designed according to Dutch company and tax regulations, the issues addressed are generic.

This brief introduction to the "Close-out Report Governance and Compliance" gives a general description of the overall project, including the history of its development, so that the further report can be understood in context.

2.2 General Project Description

The ROAD Project is the Rotterdam Opslag and Afvang Demonstratieproject (Rotterdam Capture and Storage Demonstration Project) which ran from 2009 to 2017, and was one of the leading integrated Carbon Capture and Storage (CCS) demonstration projects in the world.

The main objective of ROAD was to demonstrate the technical and economic feasibility of a large-scale, integrated CCS chain deployed on power generation. Previously, CCS had primarily been applied in small-scale test facilities in the power industry. Large-scale demonstration projects were needed to show that CCS could be an efficient and effective CO_2 abatement technology. With the knowledge, experience and innovations gained by projects like ROAD, CCS could be deployed on a larger and broader scale: not only on power plants, but also within the energy intensive industries. CCS is one of the transition technologies expected to make a substantial contribution to achieving European and global climate objectives.

ROAD is a joint project initiated in 2009 by E.ON Benelux and Electrabel Nederland (now Uniper Benelux and Engie Nederland). Together they formed the joint venture Maasvlakte CCS Project C.V. which was the project developer. The ROAD Project is co-financed by the European Commission (EC) within the framework of the European Energy Programme for Recovery (EEPR) and the Government of the Netherlands. The grants amount to € 180 million from the EC and € 150 million from the government of the Netherlands. In addition, the Global CCS Institute is knowledge sharing partner of ROAD and has given a financial support of € 4,3 million to the project. The Port of Rotterdam also agreed to support the project through investment in the CO_2 pipeline.

In the first phase of the project, 2009-2012, the project was developed to final investment decision (FID) based on using the P18-4 gas-field operated by TAQA as the CO_2 storage location. This required a pipeline of approximately 25km from the capture location (Uniper's coal-fired Maasvlakte Power Plant – MPP3), about 5km onshore and 20km off-shore.

Unfortunately, the collapse in the carbon price undermined the original business case, and in 2012 a positive FID was not economically possible. The project then entered a "slow-mode" in which activities focused on reducing the funding gap, either by reducing costs or by securing new funding. In late 2014 a possible new funding structure was identified, and explored in 2015 and 2016. This included additional grants for operation and cost reductions. The cost reduction that could be successfully applied was to change storage sink to a newly developed field, Q16-Maas, operated by Oranje Nassau Energie (ONE). This smaller field was much closer, with only a 6 km pipeline required. This resulted in a remobilization of the project late in 2016, and development of the new scheme. However, in mid 2017 work was again halted, and the grant formally terminated in November 2017.

The ROAD project design applied post combustion technology to capture the CO_2 from the flue gases of a new 1,069 MWe coal-fired power plant (Maasvlakte Power Plant 3, "MPP3") in the port and industrial area of Rotterdam.

The capture unit has a design capacity of 250 MWe equivalent. During the operational phase of the project, approximately 1.1 megatons of CO_2 per year would be capture and stored, with a full-load flow of 47kg/s (169 t/h) of CO_2. For transport and storage two alternatives were developed as described above: storage in the P18-4 reservoir operated by TAQA; and storage in the Q16-Maas reservoir operated by Oranje-Nassau Energie.

After a competitive FEED process, Fluor was selected as the supplier for the capture technology in early 2011. The plant was fully engineered, and long lead items contracted for, ready for an FID in early 2012. All the necessary permitting was completed, with a permit for the capture plant being granted in 2012. Following the delay to the project, an updated design was developed with Fluor in 2017 incorporating lessons learnt from research and development in the intervening years, changes to the MPP3 site, and the impact of the changes to the transport and storage system. A revision to the permit was under development when the project was halted.

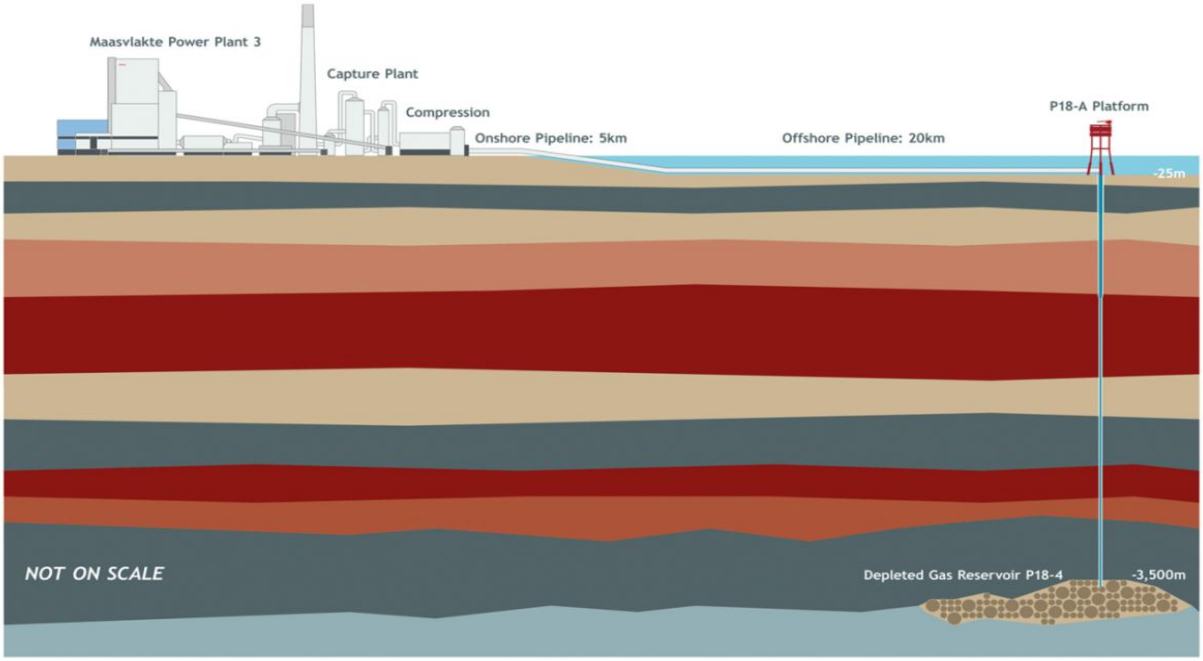
For storage in P18-4

From the capture unit the CO_2 would be compressed and transported through a pipeline: 5 kilometers over land and about 20 kilometers across the seabed to the P18-A platform in the North Sea. The pipeline has a transport capacity of around 5 million tonnes per year. It is designed for a maximum pressure of 140 bar and a maximum temperature of 80 °C. The CO_2 would be injected from the platform P18-A into depleted gas reservoir P18-4. The estimated storage capacity of reservoir P18-4 is approximately 8 million tonnes. Figure 2.1 shows the schematic illustration of this.

P18-4 is part of the P18 block which also includes the larger P18-2 and also a small field, P18-6. These depleted gas reservoirs are about 3.5 km below the seabed under the North Sea about 20km from the Dutch coastline, and have a combined CO_2 storage capacity of around 35 Mt.

The ROAD Project with storage in P18-4 was fully developed for FID at the end of 2011, including all engineering, regulatory and permit requirements. A CO_2 storage permit was granted in 2013, the first such permit in Europe. Unfortunately, a positive FID was not possible due to funding problems, and in 2012 technical project development on P18-4 was halted.

Figure 2.1 Schematic overview of the ROAD Project using storage in P18-4



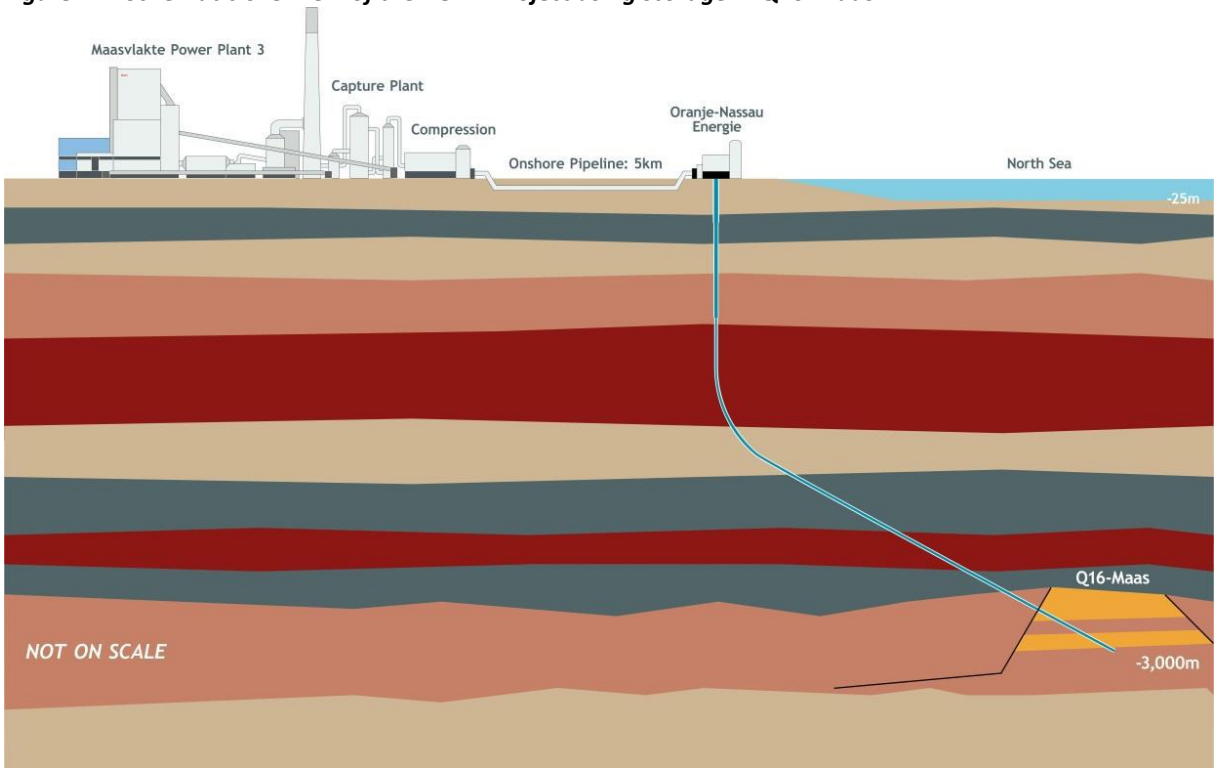
For storage in Q16-Maas

From the capture unit the CO_2 would be compressed and transported through a pipeline over land to the current ONE-production site Q16-Maas (Figure 2.2). The selected pipeline design would have a transport capacity in excess of 6Mt/year. It was designed for a maximum pressure of 40 bar although in the first phase operation at 20 bar was planned. Final compression to injection pressure (around 80 bar) would be at the injection site.

The Q16-Maas reservoir is located just off-shore from the Maasvlakte, and is reached by a long-reach well, drilled from on-shore. The well is about 5km long, and travels approximately 3km down to reach the reservoir depth, and 3 km horizontally (off-shore) to reach the reservoir location. The reservoir is relatively new (production started in 2014) and was not due to finish production until 2022. Therefore this scheme involved the drilling of a second well to accelerate gas production and so allow CO_2 injection to start in 2020. This second well would also allow co-production of modest amounts of condensate (and possibly natural gas) during CO_2 injection. The estimated storage capacity of reservoir Q16-Maas is between 2 and 4 million tonnes.

This reservoir was identified as a possible storage location only at the end of 2014, with project development running through 2015-2017. Due to funding uncertainties, the work focused on feasibility, cost estimation and concept design to the level required for permitting. Therefore a lower level of detail is available for this storage location, compared to P18-4. It should also be noted that unexpected water production was experienced from Q16-Maas in 2016, leading Oranje-Nassau Energie to issue a revised reservoir model and production plan in May 2017. Since this was only shortly before the ROAD work was halted, the ROAD plans for Q16-Maas were not fully amended to reflect this new production data.

Figure 2.2 Schematic overview of the ROAD Project using storage in Q16-Maas



3. Accounting and Business Control

For the execution of the ROAD Project, special purposes vehicles have been founded with the legal entities Maasvlakte CCS Project CV and Maasvlakte CCS Project BV. The CV is the beneficiary of the grant agreements whereas the BV only acts as “general partner” of the CV with an interest of 0.02%. Each of the Parent Companies participate in the CV for 49.99%. The BV is fully owned by the Parent Companies with 50% of the shares each.

Within the CV an integrated accounting and control system has been implemented. The main accounting system is AccountView for both financial reporting and the project administration. All entries in the financial system allocated to the different general ledger accounts are also reflected in the project administration allocated by cost category (A1 till A6) and different WP’s (WP2 till WP7) in accordance with the grant agreements.

The usual set of internal controls have been implemented in order to ensure completeness and correctness of the accounting system, including but not limited to tendering procedures, time records, verification of invoices and authorization for payments.

On a monthly basis actuals as per project administration are compared to the budget (phasing of the total project costs as per grant agreement), analysed and comprehensive reported to the Management Board.

4. Grant Agreements in Place

With reference to the close-out report, part "Project costs and Funding", the ROAD Project was supposed to become possible with the following sources of external funding (grants):

a. Funding from the EC under the European Energy Programme for Recovery. The (revised) grant agreement provides for 48.47% of grants over eligible costs up till a maximum amount of €180M.

b. Funding from the Dutch State by way of grants over eligible costs of 20.3%, with a maximum amount of €75M for the development phase.

c. Funding from the Dutch State for the operational phase of the project by €18.75 per ton of CO_2 actually captured and stored, with a maximum amount of €75M.

d. Contributions from the GCCSI based upon requirements for knowledge dissemination for a total amount of €4.3M.

Under the EC grant agreement an advance amount of €45M has been received in 2010. The agreement provides for periodic settlements of grants (see below).

The NL grant agreement provides for advance amounts to the full extent of €150M during the development phase, with final settlements at the end of the development phase and at the end of the operational phase. An advance amount of €15.3M has been received in 2010.

The GCCSI "grant" provides for payments each time a delivery (report) has been satisfactory completed. The full amount of €4.3M has been received up till 2016.

5. Periodic Interim EC Grant Reports

The EC grant agreement provides for periodic interim reports (semi)annually. Next to the progress of the project against planning, the interim reports include the cost claim of eligible costs incurred in the corresponding period.

The EC grant agreement do not refer to a specific overall framework for determination of eligibility of cost. From the grant agreement, discussions with the EC and the outcome of an interim audit by the EC Audit Department (covering period year 2010 and 1st half year 2011), the definition of eligibility of costs developed as follows:

a. Costs of the staff assigned (A1)

Costs are eligible to the extent of staff employed by Maasvlakte CCS Project CV or employed by one of its Parent Companies (E.ON/Uniper Benelux and GdF Suez/ENGIE Energie Nederland). Costs are eligible to the extent of salary costs, social charges, pension costs and other direct elements of remuneration (bonus, lease car, allowances), but excluding any overhead charges. Secondary, for all staff members it is required to have a complete set of time records, including hours spent on other activities than ROAD.

The above also include the members of the Management Board. Whereas the Parent Companies agreed a fixed fee (flat rate) for their services, the EC auditors required all supporting documentation to verify the eligibility of the remuneration of the MB as per above definition. This information was directly sent to the EC audit department for reasons of confidentiality.

For the period under review (2010-2011), this resulted in an audit adjustment of about 12.5% (not accepted as eligible costs). In future years such adjustment of 12.5% has been included in the interim periodic cost claims, but EC auditors might require supporting documentation to establish the exact amounts of eligible costs also for these years.

b. Tendering procedures

In the early days of the project, an internal procedure was implemented for Procurement and Tendering providing “best practice” in business dealings under the principle of “best value for money”. Adherence to this internal procedure has been well monitored resulting in considerations and/or decision matrices for all contracts with an estimated value above €5K (including contracts with other group-companies, not being E.ON/Uniper Benelux and GdF Suez/ENGIE Energie Nederland).

Resulting from the EC-interim audit, there was a lot of (mainly internal) discussion between the EC grant authority, the EC Audit Department and the European Court of Auditors about the requirement for ROAD to adhere to the procedures as set out by Article 8 of Directive 2004/18/EC for the award of contracts. At the end, it was confirmed by the EC that the EEPR grant does not need to be included in the calculation of the threshold for contracts subsidized by more than 50% by contracting authorities and therewith, that the above mentioned directive is not applicable to the ROAD project.

c. Accrual based accounting

After consultation with the EC, it was confirmed that costs are only eligible to the extent actually incurred and invoiced in the relevant period, but not necessarily being paid at that time. This requirement had a lot of impact (administrative burden) in the preparation of the (semi)annual costs claims whereas accrual-based accounting was adopted for the Annual Accounts. Therewith eligible costs for grants reporting differs from the definition used for recognition of grants over eligible costs in the Annual Accounts. Manual reconciliations have been prepared in between eligible costs as per grant reports and financial reporting.

d. Profit margins included in intercompany charges (excluding A1-costs)

Costs of sub-contracting (A4) and other direct costs (A6) includes a substantial amount of costs for activities performed by other group companies. Whereas in principle the internal procedure for procurement and

tendering would be valid, under many circumstances contracts have been awarded to group companies based upon specific experience and knowledge required for ROAD rather than on economic criteria.

The EC auditors took the view that independent tendering is not always possible or even required under the circumstances that contracts are awarded to other group companies. However, prices and rates should be adjusted for profit margins included therein. For this reason, the EC auditor tested a sample of invoices received from group companies for verification of gross margins included. From the outcome of this sample, overall 15% gross margins were deemed to be included in intercompany charges for the period under examination. Accordingly, the EC adjusted the cost claim with 15% over all intercompany costs. Future costs claims have been prepared taking into account such adjustment, but EC auditors might decide to do further (sample) testing to re-establish that 15% is still valid as overall adjustment.

e. Other (audit) adjustments

From the 1st cost claim, eligible costs have been adjusted with about €0.5M under purchasing equipment. This has been later confirmed by the EC auditors with reference that these costs were not related to the project. Whereas the reasoning behind was unclear for ROAD, it was decided to accept the proposed adjustment.

Cost claims up till 2012 (5 interim periods) were prepared rounded in thousands of Euro. This rounding has been rejected by the EC auditors and all rounding differences have been adjusted. Whereas this of course is not material, it implicate that for the final cost claim all past periods have to be adjusted accordingly.

The EC refrained from audit adjustments proposed by the EC auditors for timing differences in between the periods as a result of smaller errors and or partly accrual based costs accounting in respect of charges from Parent Companies under A1 and bank-and guarantee costs.

6. Settlement of Interim Payments

Based upon the interim periodic reports with the EC, and taking into account the above audit adjustments, the amount of grants have been determined for a total amount of €29.9M, of which paid €22.4 after deduction of 25% for pre-finance clearing. The balance outstanding of the advance amount prior to the filing of the final costs claim therewith amounts €37.5M.

The EC grant agreement also provide for repayment to the EC of interest earned over the outstanding amount of the advance amount. Based upon an allocation algorithm in between the funders of the ROAD-project, this amount has been calculated at €1.6M. The periodic amounts due have been settled against the receipts of grants.

The NL grant agreement does not provide for interim settlements of grants over eligible costs and/or interest repayable over the advance amount. The advance amount under the NL grant agreement is therewith still €15.3M prior to the final costs claim.

7. Final Costs Claims

With effective date of termination of the grant agreements as at November 26, 2017, the final cost claim for both the EC and the NL grant is summarized in below table.

Costs category / Working package	WP2	WP3	WP4	WP5	WP6	WP7	Totals
A.1 Costs of the staff assigned	*0.6*	-	-	*0.3*	-	*5.4*	*6.3*
A.2 Costs of purchasing equipment	-	-	-	-	-	*0.2*	*0.2*
A.3 Consumables and supplies	-	-	-	-	-	*0.1*	*0.1*
A.4 Costs of sub-contracting	*29.8*	*2.5*	*3.6*	*2.4*	*1.6*	-	*39.9*
A.5 Travel and subsistence costs	-	-	-	-	-	*0.2*	*0.2*
A.6 Any other direct costs	-	-	-	-	-	*17.2*	*17.2*
Total eligible investment costs	**30.4**	**2.5**	**3.6**	**2.7**	**1.6**	**23.1**	**63.9**
Non-eligible investment costs	1,5	0,1	0,2	-	-	1.5	3,3
Total investment costs	**31.9**	**2.6**	**3.8**	**2.7**	**1.6**	**24.6**	**67.2**

See for details per WP and cost category Table 1 as enclosed.

The final costs claims include all eligible costs till the effective date of termination and estimated future costs to the extent that these costs are directly related to the existence of the grant agreements, such as audit costs, costs related to the completion of the close-out report and the guarantee costs for the advance amounts outstanding.

Under the NL grant agreement, eligibility of gross margins from group companies are eligible to the extent that these are similar as the profit margins for external parties. In order to avoid any administrative burden for evidencing such, it has been decided to follow eligibility of costs as per the EC-grant agreement also for the NL grant.

Total investment costs up till liquidation are estimated at €67.9M.

The final costs claims have been audited by the Company's own external auditors, but are still subject to expected audits to be performed by the EC Audit Department and/or the NL grant Authority, possibly accompanied by representatives of both the Dutch and European Court of Auditors.

Based upon the above, the following table shows eligible costs and the receipts under the various grants agreements.

€ in Millions	EEPR	NL grant	GCCSI	Total
Total project costs	*67,9*	*67,9*	*67,9*	*67,9*
Eligible costs	63,9	63,9	-	63,9
%-age of grants	48.47%	20.30%	-	-
Grants	**31,0**	**13,0**	**4,3**	**48,3**
Advance amounts received	(45,0)	(15,3)	-	(58,3)
Periodic settlements received	(22,4)	-	(4,3)	(26,7)
Balance repayable outstanding	**(36,4)**	**(2,3)**	**-**	**(38,7)**

8. Annual Accounts

The Joint-Venture Agreement and the Limited Partnership Agreement provides for the preparation of the Annual Accounts for Maasvlakte CCS Project BV and Maasvlakte CCS Project CV (herein after called "the Company"). Annual Accounts are based upon IFRS and due on February 15th following the year of reporting and are subject to audit (certified audited accounts).

Whereas both grant agreements includes eligible investments costs, no CAPEX has been recognized in the Annual Accounts because of the loss-making position of the project over the full lifetime of the project. For that reason all costs have been expensed through P/L accounts in the years that expenses were incurred (accrual based accounting).

The Company has established processes and procedures to determine the eligibility of costs in accordance with the grant agreements and learnings from the subsequent audit findings. Income from grants have been recognized for the %-age of grants over eligible costs under the EC grant agreement (€31.0M) and amounts received from GCCSI (€4.3M). It has been decided not to recognize grants from the Dutch State grant agreement in the Annual Accounts up till at least positive FID was taken because of degree of uncertainty about entitlement on grants in case of negative FID (economic conservative approach).

With expenses higher than income from grants, Annual Accounts ended with continuous losses over the periods. Whereas the Company's liquidity position remained positive as a result from the (advance) amounts received under the grant agreements, equity position at each year-end was negative as a result from 1) the continuous losses over the years and 2) insufficient funding by means of capital contributions from the Parent Companies. The negative equity at each year-end caused significant doubt about the Company's ability to continue as a going concern without sufficient funding by the partners. This matter of emphasis was therefore included in the auditor's opinion, but without qualifying the auditor's opinion for that reason.

Up till effective date of termination of the project, funding from Parent Companies was limited to €3M each. Parent companies are expected to make capital contributions in 2018 to the extent required for Maasvlakte CCS Project CV to meet with its financial obligations.

Table 1: Personnel costs, subcontracting and other major direct costs items

TABLE 7.1 PERSONNEL, SUBCONTRACTING AND OTHER MAJOR DIRECT COSTS ITEMS FOR MAASVLAKTE CCS PROJECT CV,						
Work Package	**Annex 2 Category**	**Item description**	**Total eligible costs 2010 up till 2017**	**Total non-eligible costs 2010 up till 2017**	**Total project costs period 2009 till 2017**	**Remarks/Explanations eligible costs**
WP2	A.1	Base & Detailed engineering (staff)	329,859	-53,000	382,859	Engineering support staff from Parent Companies
WP2	A.1	Construction & commisioning	*233,830*		*233,830*	Technical support staff from Parent Companies
WP2	A.4	Base & Detailed eng. (contr)	4,449,291	-559,025	5,008,316	Engineering support staff from Parent Companies
WP2	A.4	Total FEED study support costs	*2,837,810*	*-826,190*	*3,664,000*	Technical support staff from Parent Companies
WP2	A.4	FEED study costs	*9,113,460*		*9,113,460*	2 selected suppliers
WP2	A.4	Capture plant external contracting	9,705,001		9,705,001	Fluor and sub-contractors
WP2	A.4	Interfaces + stack-tie-in	*3,222,041*	*-13,137*	*3,235,178*	Charges from E.ON for investments in MPP3
WP2	A.4	Construction & commisioning	390,982		390,982	Steens Consultancy
WP2	A.4	Procurement	143,119	-33,881	177,000	Support staff from group-companies (E.ON and GdF)
WP2	A.5	Travel	3,000	0	3,000	
WP2		**Total Capture**	**30,428,393**	**-1,485,233**	**31,913,626**	
WP3	A.4	Pipeline engineering & study	2,190,093	-77,516	2,267,609	Various external suppliers for support and studies
WP3	A.4	Other costs Transport	340,750	-3,307	344,057	Study's and support costs from GdF -companies and external firms
WP3	A.5	Travel	1,000	0	1,000	
WP3		**Total Transport**	**2,531,843**	**-80,823**	**2,612,666**	
WP4	A.4	Platform & Well Engineering	1,435,082	-158,790	1,593,872	Study's and support costs from GdF -companies and external firms
WP4	A.4	Other costs Storage	2,203,475	-30,879	2,234,354	TAQA-team and support costs group-companies
WP4		**Total Storage**	**3,638,557**	**-189,669**	**3,828,226**	
WP5	A.1	Permitting (staff costs)	309,271		309,271	Permitting support staff from Parent Companies
WP5	A.4	Permitting consultancy costs	2,414,336		2,414,336	External consultancy costs
WP5		**Permitting**	**2,723,607**		**2,723,607**	
WP6		**Knowledge dissemination and communication**	**1,524,818**		**1,592,522**	Costs of communication management and external consultancy
WP7	A.1	Staff costs from Uniper Benelux	*3,321,023*	*-338,688*	*3,659,711*	Director's remuneration and project office support
WP7	A.1	Staff costs from Engie Nederland	*2,088,868*	*-304,477*	*2,393,345*	Director's remuneration and project office support staff
		Total staff costs from parent comp.	5,409,891	-643,165	6,053,056	
WP7	A.2	Office equipment	391	-516,609	517,000	
WP7	A.2	Office costs IT	175,833		175,833	IT-equipment
WP7	A.3	Office supplies	90,886		90,886	
WP7	A.5	Travel	218,816		218,816	
WP7	A.6	Advisory costs	3,680,897	-83,814	3,764,711	Framework support, legal, tax, audit and others
WP7	A.6	Support (staff) costs	6,368,416	-229,274	6,597,690	Accounting, finance, legal, management support and others
WP7	A.6	Office rent	2,643,479		2,643,479	DCMR and Sodexo
WP7	A.6	Total office costs and IT	2,479,860		2,479,860	Detron and telecom
WP7	A.6	Bank and guarantee costs	1,927,753		1,927,753	Engie and Uniper
WP7	A.6	Insurances	81,861		81,861	AONNEDCV
WP7		**Total**	**23,078,083**	**-1,472,862**	**24,550,945**	
		TOTAL DIRECT COSTS	**63,925,301**	**-3,228,587**	**67,221,592**	