

APPLICATION GUIDELINES

MANITOBA BIODIESEL PRODUCTION PROGRAM

INTRODUCTION

The report of the Biodiesel Advisory Council to the Government of Manitoba in February 2005 recommended that the provincial government encourage the development of a biodiesel industry in Manitoba, both its production and consumption, using primarily Manitoba-grown and produced feedstocks.

The addition of biodiesel to petroleum diesel fuel has significant environmental benefits through the reduction of greenhouse gases. Manitoba however has no commercial biodiesel production capacity in place at the present time and biodiesel is an unknown entity for the majority of diesel users. The strategy that has been developed, in order to create awareness with diesel users, is to have a number of small, community-based biodiesel production and distribution projects established around the province supplying biodiesel for low level blends with regular diesel fuel.

The Manitoba Biodiesel Production Program (the “Program”) was established to promote the development of new or expanded facilities in the province of Manitoba each capable of producing at least 2 million litres of biodiesel annually. The Government of Canada (“Canada”) has allocated money under its Opportunities Envelope Program (“federal allocation”) to be distributed in accordance with this Application Guideline.

Applicants with projects that meet the criteria set out herein are encouraged to apply to Manitoba for a contribution from the federal allocation by submitting an application in accordance with this Application Guideline. The names of the applicants approved by Manitoba pursuant to this Application Guideline will be forwarded to Canada. Canada may enter into Contribution Agreements with the approved applicants that meet Canada’s requirements.

Applications must be submitted under the Program by September 30, 2006. The contribution to an individual project under the Program will not exceed the lesser of one-third of the Eligible Costs of an applicant’s proposed project or \$250,000.

WHAT IS BIODIESEL?

Biodiesel is a fuel comprised of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, designated B100, meeting the requirements of ASTM D6751, and produced using an accepted industry-wide quality assurance program. Proponents must agree to meet ASTM D6751 specifications and follow the BQ-9000 quality assurance program or its equivalent.

PROGRAM ADMINISTRATION

The Manitoba Biodiesel Advisory Board (the “Board”) will be formed to review applications and provide the names of applicants it approves to Canada for contributions from the federal allocation. An interdepartmental advisory committee (the “Committee”) will also be established to assist the Board with the financial and technical analysis of the applications received. The Committee may call on other government departments or agencies or unbiased external sources to assist in the evaluation of applications, as required.

The Board and the Committee may, but are not obliged to, seek clarification of applications by contacting applicants after their receipt. The Board and the Committee will be under no obligation to receive further information, whether written or oral, from any applicant.

The Manitoba Biodiesel Production Program is a discretionary program which Manitoba may amend or cancel at any time.

Manitoba will forward the names of the applicants approved by the Board to Canada. Canada may enter into a Contribution Agreement with applicants that have been approved by the Board.

For clarity, applicants understand that the approval of an application by the Board does not:

- create an undertaking, commitment or obligation on the part of Manitoba to contribute funds to the approved applicant's project.
- guarantee that an approved applicant will receive funding from the federal allocation.

WHO CAN APPLY?

An eligible applicant is a company, individual, cooperative or corporation that is not subject to a controlling interest by a municipal government and that intends to build a production plant, or expand existing facilities, to produce biodiesel in Manitoba.

APPLICATION CRITERIA

The applicant must provide sufficient information that demonstrates the eligibility of the project under the Program as well as its overall economic viability. This information would address the following topics:

Technical feasibility

- Proposed nameplate capacity and engineering documentation that supports the proposed nameplate capacity
- Detailed description of the project design and the conversion process supported by engineering and process flow documentation
- Description of all technology and engineering partners for the project including their relevant experience
- Description of co-products from the process and the expected annual production volumes

Feedstock supply

- Description of the proposed feedstock, including type, projected annual quantity required, supplier (s) and feedstock cost
- Documentation that supports the ability of the supplier (s) to provide the applicable quantity of feedstock to the project

Marketing considerations

- Signed letters of intent or purchase agreements for biodiesel fuel and co-products produced by the project
- Commitment to a testing program to ensure the biodiesel fuel meets ASTM standards

Financial considerations

- Financial projections for the project
- Detailed descriptions of all sources of project financing and their share of total costs supported by executed copies of all conditional or final financing agreements
- Documentation including bank statements or independently-audited financial statements that supports the ability of each financier to provide the applicable funds to the project
- Detailed description of total project costs (as opposed to project Eligible Costs) including supporting documentation
- Detailed description of projected Eligible Costs, including itemization by type and month, with supporting documentation, organized by project phase

The evaluation will include an Assessment of Project Costs:

- To ensure that all the Eligible Costs (capital, operating and other) specific to the proposal are included.

Project Benefits

Applicants are also required to provide sufficient information to demonstrate that the project meets the objectives of the Manitoba Biodiesel Production Program to develop smaller, community-based biodiesel production facilities while reducing Manitoba's greenhouse gas emissions by supplying the Manitoba market. Applications should outline the benefits their project is expected to achieve and should (without limitation) include the following information:

- Size of the project and the percentage of Manitoba ownership;
- Breakdown of the proposed types of feedstock to be handled by the project;
- Manitoba markets for biodiesel being supplied by the project;

The evaluation will include an estimate of GHG emission reductions resulting from the project:

- The economic and technological assumptions that underlie the baseline case should be reasonable.
- The proposal's market assumptions should be reasonable.
- The estimates of the annual reductions (or removals) of GHG emissions as a result of the initiative vis-à-vis the baseline case should be reasonable and include:
 - The estimated reduction in conventional diesel fuel consumption.
 - Appropriate emissions intensity factors.
 - Emission reductions estimated on a full cycle basis.

ENVIRONMENTAL ASSESSMENT

Applications approved for a contribution under the Program by Manitoba that have signed a Contribution Agreement with Canada will be subject to the *Canadian Environmental Assessment Act (CEAA)*. Projects funded under Contribution Agreements must obtain all required environmental approvals.

Further information on the CEAA is available on the Web site at www.ceaa.gc.ca or by contacting the Canadian Environmental Assessment Agency by telephone at (613) 957-0700 or by fax at (613) 957-0935.

PROJECT FUNDING

By submitting an application, the applicant agrees that it is willing to enter into a Contribution Agreement with the Government of Canada under the Opportunities Envelope if its application is approved by Manitoba.

Applicants can obtain a draft form of Canada's Contribution Agreement by submitting a written request to Bob Brennand at bbrennand@gov.mb.ca.

By submitting an application, applicants acknowledge and agree that Manitoba's approval of an application in accordance with this Application Guideline does not guarantee that the applicant will receive a contribution from the federal allocation. An applicant will only receive a contribution from the federal allocation if the applicant enters into a Contribution Agreement with Canada and satisfies the requirements of the Contribution Agreement.

ELIGIBLE COSTS

In general, Eligible Costs must be incurred on or before March 31, 2007 and include:

- 1) Contract costs for design, engineering, procurement and construction services
- 2) Costs for production systems and equipment, including monitoring and tracking systems
- 3) Salary costs for design, engineering, procurement and construction
- 4) Salary costs for implementing and commissioning the project

These costs must be acceptable to Manitoba based on judgments and considerations, such as costs and labour rates reported for similar biodiesel production facilities.

INELIGIBLE COSTS

Costs not eligible for reimbursement include:

- 1) Any costs, eligible or not, incurred after March 31, 2007
- 2) Research and development
- 3) Land purchase, rent or lease
- 4) Administrative buildings
- 5) Administrative overheads
- 6) Benefits
- 7) Marketing and public relations costs and salaries
- 8) Costs related to Project operation aside from commissioning-related costs
- 9) Financing and legal fees
- 10) Insurance
- 11) Interest
- 12) Property taxes
- 13) All sales taxes, including Provincial Sales Tax and the Goods and Services Tax
- 14) Any income tax or surtax
- 15) Costs related to the production of products other than biodiesel and direct co-products
- 16) Fines and penalties
- 17) Depreciation of assets
- 18) Amortization of unrealized appreciation of assets
- 19) Provisions for contingencies
- 20) Losses on other projects, contracts, investments, bad debts and expenses for the collection thereof

- 21) The applicable portion of any income, rebate, allowance, or any other credit relating to the Eligible Costs, received by or accruing to the applicant
- 22) Alcoholic beverages

HOW TO APPLY

Registration

Applicants are asked to register their intent to submit an application as soon as possible. Intent should be registered by sending an e-mail that includes a brief description of the project, the full legal name of the applicant and the contact information for the individual managing the application to the Manitoba Biodiesel Production Program at the following address:

bbrennand@gov.mb.ca

Applicants that register their intent will remain anonymous.

The Province of Manitoba reserves the right to modify this Program Application Guideline at any time at its sole discretion. All applicants who register their intent to submit an application will be simultaneously notified by e-mail of any modifications to or clarification of, this Application Guideline and any additional information. The identities of the other applicants will not be revealed.

Enquiries and Additional Information

To ensure the integrity of the application process, all enquiries and other communications about this Program Application Guideline are to be directed only to the following individual:

Bob Brennand
Project Manager, Energy Economic Development
Energy Development Initiative
1200 – 155 Carlton Street
Winnipeg, MB R3C 3H8
Ph. (204) 945-7392

Information obtained from any other source is not official and should not be relied upon.

Application Process

Applicants must submit a separate application for each proposed project the applicant submits. Applications should be submitted in the form of a business plan that includes (without limitation) the following information:

- 1) Information and documentation to demonstrate that the proposed project meets all of the eligibility requirements listed in this Application Guideline under the heading “Application Criteria on page 2;
- 2) A description of the applicant that includes the applicant’s legal name and status, ownership, jurisdiction of incorporation, business registration number and type of activity;
- 3) A description of all partners that have more than a one (1) percent ownership stake in the proposed project, including their proportionate ownership in the proposed project;
- 4) A description of the project, the legal description or coordinates of its proposed location, and the contact for the project

- 5) The proposed contribution amount the applicant is applying for under the Program including a detailed breakdown of how the proposed contribution will be applied to Eligible Costs of the proposed project;
- 6) Disclosure of the involvement of former Federal public office holders and public servants within the applicant's organization or the proposed project who are governed under the *Conflict of Interest and Post-Employment Code for Public Office Holders* and the *Values and Ethics Code for the Public Service*
- 7) Detailed description of the proposed project schedule including the construction and commissioning stages and the expected project completion date with documentation that supports the feasibility of the proposed project schedule
- 8) Any other information or materials required to demonstrate the eligibility of the applicant's project and ability of the applicant and its proposed project to meet the Program's objectives as set out in this Application Guideline.

The Province of Manitoba reserves the right to verify any information provided in the Application. Untrue statements or the withholding of information may result in the application not being approved for funding under the Program.

Applications must be submitted in English, and with figures in Canadian dollars and the International System of Units (SI).

Applications should be marked "CONFIDENTIAL" if applicable.

Three (3) hard copies of the application and supporting information in response to this Application Guideline should be forwarded to the following receiving address:

Bob Brennand
Manitoba Biodiesel Production Program
Energy Development Initiative
1200 – 155 Carlton Street
Winnipeg, MB R3C 3H8

Applications sent by facsimile or e-mail will not be accepted.

It is the Applicant's responsibility to do the following:

- 1) Direct its application only to the receiving address specified under the Section "How to Apply" (above).
- 2) Provide a comprehensive and sufficiently detailed application including all requested information, documentation and details to permit a complete evaluation in accordance with the criteria set out in this Application Guideline

The applicant is solely responsible for its expenses in preparing and submitting an application and for the subsequent preparation and execution of the contribution agreement, if any.

Applications received will become the property of the Province of Manitoba and will not be returned. Applicants acknowledge and consent, by submitting an application that their application and all information, documentation and details submitted with the application will be disclosed to the Board, the Committee and the Government of Canada. All Applications will be subject to the provisions of The Freedom of Information and Protection of Privacy Act and disclosure set out herein.