Danish Energy Agency

APPENDIX A
THE EVALUATION OF OFFERS
(AWARD CRITERIA AND EVALUATION METHOD)

Contract on subsidy for carbon capture, transport, and storage

Danish Energy Agency

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1. The award criterion

Award of the contract will take place based on the award criterion best price-quality ratio. To do so, the DEA will apply the sub-criteria described below.
The percentage rates indicate the weighting of each sub-criterion in the evaluation. The sub-sub-criteria under the sub-criterion Project Maturity are weighted as specified in Section 1.1.2.1-1.1.2.3.

1.1. Sub-criteria

1.1.1. Subsidy (60%)

The sub-criterion **Subsidy** will be evaluated based on the Offered Rate plus a calculated risk premium, if applicable cf. Section 2.1.2, (the "Evaluation Amount").

Each Offer will be awarded points based on the Evaluation Amount on a scale from 0 to 10 points as further described in Section 2.1.

1.1.2. Project Maturity (20%)

The sub-criterion **Project Maturity** will be evaluated based on the sub-sub-criteria described below.

The evaluation is performed based on the information, documentation and descriptions provided by the Tenderer in Appendix 4, Solution description, and sub-appendices hereto, and considers the different aspects of maturity as described below, including the quality, robustness and reliability of the information, documentation and descriptions provided.

Sub-sub-criteria:

1.1.2.1 Sub-Sub-Criterion 1 - Financial Maturity (30%)

Financial Maturity is assessed based on the Tenderer's response to the overall solution description and the Financial Requirements regarding the Business Plan and the Financing Plan specified in Appendix 3, Requirements specification, and Appendix 4, Solution description.
It will be evaluated positive if the Tenderer's response shows a high degree of:

- resilience to the identified variations and risks
- financial feasibility, including documented access to the necessary funding

1.1.2.2 Sub-Sub-Criterion 2 - Technical Maturity (20%)

Technical Maturity is assessed based on the Tenderer's response to the overall solution description and the Technical Requirements specified in Appendix 3, Requirements specification, and Appendix 4, Solution description.
It will be evaluated positive if the Tenderer's response shows a high degree of:

- technological readiness and maturity (proven technology)
- technical feasibility of all major components
- robustness in the Value Chain within the project's operational environment
- understanding of the project and related technical risks and proposed mitigation measures

1.1.2.3 Sub-Sub-Criterion 3 - Operational Maturity (50%)

Operational Maturity is assessed based on the Tenderer's response to the overall solution description and the Operational Requirements specified in Appendix 3, Requirements specification, and Appendix 4, Solution description.
It will be evaluated positive if:

- the Tenderer's Draft Milestone Plan shows a high degree of robustness and integrity. High robustness means that project goals will be reached despite of unwanted and unexpected deviations from the Master Milestone Plan. Integrity means that there is a clear link between activities and their sequence, and that all relevant activities and processes to achieve the CO_2 reductions are planned. This includes a well-documented and proven planning methodology
- the Tenderer's strategy for a successful COD of the project, including project management, securing key supply contracts, and project's implementation risks and proposed mitigation measures shows a high degree of resilience
- the Tenderer's Authority Approval Plan, the Risk Management Plan, the QHSE Plan, and the Construction Interface Procedure shows a high degree of maturity and coherence with the Draft Milestone Plan
- the Tenderer's Knowledge Sharing Plan, the knowledge sharing summary report, and the Public Engagement Plan shows a high degree of understanding of the specified needs
- the Tenderer's descriptions of the measurement system for CO_2 storage reporting show a high degree of robustness ensuring the accuracy, integrity, and timeliness. The lower the tolerance of the measurement tolerance on the CO_2 storages, the better

Each Offer will be awarded points with respect to Project Maturity on a scale from 0 to 10 points as further described in Section 2.2.

1.1.3. Ramp-up Quantity (10%)

The sub-criterion **Ramp-up Quantity** will be evaluated based on the offered Ramp-up Quantity of CO_2 captured and stored in the period from COD until (and including) 31st of December 2025.

Each Offer will be awarded points with respect to the Ramp-up Quantity on a scale from 0 to 10 points as further described in Section 2.3.

1.1.4. Additional Quantity (10%)

The sub-criterion **Additional Quantity** will be evaluated based on the offered average quantity of CO_2 captured and stored exceeding the Minimum Requirement (see MR-4, Appendix 3, Requirement specification) of 0.4 MTA CO_2 in the period from 1st of January 2026 until (and including) 31st of December 2033.

Each Offer will be awarded points with respect to the Additional Quantity on a scale from 0 to 10 points as further described in Section 2.4.

2. Evaluation method

2.1. Points for the sub-criterion “Subsidy”

Each Offer will be awarded points in accordance with a financial framework. The evaluation will be based on the Evaluation Amount as stated in Section 2.1.2.

The financial framework is lowest Evaluation Amount + 75%.

The compliant Offer with the lowest Evaluation Amount is awarded the highest number of points on the scale (maximum points), i.e., 10 points.

Offers with an Evaluation Amount that exactly matches the financial framework (lowest Evaluation Amount + 75%) or exceeds this framework are awarded the lowest number of points on the scale (minimum points), i.e., 0 points.

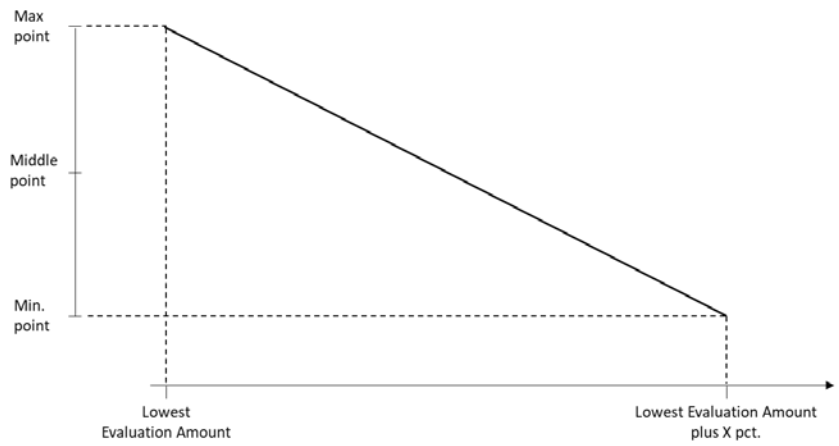
Offers with an Evaluation Amount that lies within the financial framework are awarded points by linear interpolation:

$$Points\ by\ linear\ interpolation =$$

$$Maximum\ points - \left(\frac{(maximum\ points - minimum\ points)}{gradient}\right) * \frac{(Evaluation\ Amount\ of\ Offer - lowest\ Evaluation\ Amount)}{lowest\ Evaluation\ Amount}$$

In the formula, *Evaluation Amount of Offer* constitutes the Evaluation Amount of the Offer in question which, using the formula, is awarded points by linear interpolation; *lowest Evaluation Amount* is the Evaluation Amount of the compliant Offer with the lowest Evaluation Amount; and the *gradient* is the addition to the lowest Evaluation Amount, on which the financial framework is based.

The graph below illustrates the DEA's award of points in accordance with the financial framework scoring model.



2.1.1. Correction model for extension of economic framework

If half or more of the compliant Offers received lie outside the financial framework, the financial framework is increased to the lowest Evaluation Amount + 100%. Thereafter, new points are awarded in accordance with the new financial framework.

If half or more of the compliant Offers received remain outside the financial framework after the increase, see above, the financial framework is further increased to the lowest Evaluation Amount + 125%. Thereafter, new points are awarded in accordance with the new financial framework.

If half or more of the compliant Offers received remain outside the financial framework after the increase, see above, the financial framework is further

increased to the lowest Evaluation Amount + 150%. Thereafter, new points are awarded in accordance with the new financial framework.

The financial framework will not be increased any further. This applies even if half or more of the compliant Offers received lie outside the financial framework after the increase to the lowest Evaluation Amount + 150%.

2.1.2. Calculated EUA Risk Premium

A calculated risk premium will be added to the Offered Rate to reflect the risk allocation for EUA price fluctuations which is a consequence of the adjustments related to avoided EUA demand (the "Calculated EUA Risk Premium"). The Calculated EUA Risk Premium will be added for evaluation purposes only.

The Calculated EUA Risk Premium is set taking into account the value of EUA futures. While there is no market for EUA futures with an equivalent time perspective, the calculation of the value is based on an extrapolation of the spread (percentage of the value of price hedging) of EUA forward prices for quota delivered in December 2022 and 2025[1].

The Calculated EUA Risk Premium is 75 DKK/tonne/year for fossil (EUA) CO_2.

The Calculated EUA Risk Premium is based on the Baseline Fossil (EUA) Fraction:

$$Calculated\ EUA\ Risk\ Premium = Baseline\ Fossil\ (EUA)\ Fraction * 75$$

Example 1:

For a Tenderer with 100% fossil CO_2, the Calculated EUA Risk Premium will thus be = 100 % * 75. With an Offered Rate of 400 DKK, the Evaluation Amount for such a Tenderer will hereafter be as follows:

Evaluation Amount =
400 DKK + **75 DKK = 475 DKK/tonne/year**

Example 2:

[1] European Markets and Securities Authority: *Emission allowances and associated derivatives. Final report*. 28 March 2022 | ESMA 70-445-38.

For a Tenderer with 30% fossil CO_2, the Calculated EUA Risk Premium will thus be = 30% * 75. With an Offered Rate of 400 DKK, the Evaluation Amount for such a Tenderer will hereafter be as follows:

Evaluation Amount =
400 DKK + **22,5 DKK = 422,5 DKK/tonne/year**

2.2. Points for the sub-criterion, "Project Maturity"

To evaluate the sub-sub-criteria under the sub-criterion Project Maturity, as described in Section 1.1.2, the DEA will use the following descriptive scale from 0 to 10 points:

- Excellent (10 points)
- Extremely satisfactory (9 points)
- Very satisfactory (8 points)
- Above satisfactory (7 points)
- A little above satisfactory (6 points)
- Satisfactory (5 point)
- A little below satisfactory (4 points)
- Below satisfactory (3 points)
- Less than satisfactory (2 points)
- Not satisfactory (1 point)
- Irrelevant (0 points)

For each sub-sub-criterion, the DEA will award the number of points that corresponds to the evaluation on the descriptive scale. Only whole points will be awarded, i.e., no decimals on sub-sub-criterion level.

The overall score of the sub-criterion Project Maturity is calculated by the following formula:

$$\text{Sub} - \text{criterion overall score} = \frac{\left(\begin{matrix}\text{Points for sub} - \text{sub} - \text{criterion 1 x} \\ \text{Weighting of sub} - \text{sub} - \text{criterion 1}\end{matrix}\right) + \left(\begin{matrix}\text{Points for sub} - \text{sub} - \text{criterion 2 x} \\ \text{Weighting of sub} - \text{sub} - \text{criterion 2}\end{matrix}\right) + \left(\begin{matrix}\text{Points for sub} - \text{sub} - \text{criterion 3 x} \\ \text{Weighting of sub} - \text{sub} - \text{criterion 3}\end{matrix}\right)}{\text{Sum of weightings of sub} - \text{sub} - \text{criteria}}$$

2.3. Points for the sub-criterion “Ramp-up Quantity”

Each compliant Offer will be awarded points based on linear interpolation on a scale from 0 to 10. The Offer with a Ramp-up Quantity of 0.4 MT CO_2 is awarded the highest number of points on the scale (maximum points), i.e., 10 points, see however below. An Offer with a Ramp-up Quantity of 0 MT CO_2 is awarded the lowest number of points on the scale (minimum points), i.e., 0 points.

Offers with a Ramp-up Quantity that lies between 0 MT CO_2 and 0.4 MT CO_2 are awarded points by linear interpolation. The interpolation percentage (gradient) used is calculated based on a minimum value of 0 and maximum value of 0.4 MT CO_2.

If one or more compliant Tenderers offer a Ramp-up Quantity of more than 0.4 MT CO_2, the compliant Offer with the highest Ramp-up Quantity will be awarded the highest number of points on the scale (maximum points), i.e., 10 points and the interpolation percentage is calculated on the minimum value of 0 and the highest Ramp-up Quantity.

2.4. Points for the sub-criterion “Additional Quantity”

Each compliant Offer will be awarded points based on linear interpolation on a scale from 0 to 10. The Offer with an Additional Quantity of 0.2 MTA CO_2 in the eight years 2026-2033 is awarded the highest number of points on the scale (maximum points), i.e., 10 points, see however below. An Offer with an Additional Quantity of 0 MTA CO_2 is awarded the lowest number of points on the scale (minimum points), i.e., 0 points.

Offers with an Additional Quantity that lies between 0 MTA CO_2 and 0.2 MTA CO_2 are awarded points by linear interpolation. The interpolation percentage (gradient) used is calculated based on a minimum value of 0 and maximum value of 0.2 MTA CO_2.

If one or more compliant Tenderers offer an Additional Quantity of more than 0.2 MTA CO_2, the compliant Offer with the highest Additional Quantity will be awarded the highest number of points on the scale (maximum points), i.e., 10 points and the interpolation percentage is calculated on the minimum value of 0 and the highest Additional Quantity.

2.5. Identification of the Offer with the best price-quality ratio

The Offer that achieves the highest overall score will have offered the best price-quality ratio.

The overall score represents the sum of the weighted number of points for each sub-criterion and is calculated using the following formula:

$$\text{Overall score} =$$

$$(\text{Evaluation Amount score} * \text{weight}) + (\text{Project Maturity score} * \text{weight}) + (\text{Ramp} - \text{up Quantity score} * \text{weight}) + (\text{Additional Quantity score} * \text{weight})$$

At sub-criterion level, the number of points may consist of a decimal numeral. The decimal numeral will not be rounded, when identifying the Offer with the best price-quality ratio.

See the calculation examples in Section 2.5.1 below.

2.5.1. Examples

Example 1:

Sub-criterion	OFFER 1	OFFER 2	OFFER 3	OFFER 4	OFFER 5
The Evaluation Amount sub-criterion (60 %)	DKK 400+75	DKK 900+22,5	DKK 650	DKK 875	DKK 850
Project Maturity sub-criterion (20 %)	6.00	8.00	9.00	7.00	4.00
Ramp-up Quantity sub-criterion (10%)	0.034 MT CO_2	0.17 MT CO_2	0.12 MT CO_2	0.142 MT CO_2	0.16 MT CO_2
Additional Quantity sub-criterion (10%)	0.032 MTA CO_2	0.06 MTA CO_2	0.11 MTA CO_2	0.18 MTA CO_2	0 MTA CO_2
Overall score (Highest score is the winner)	**7,44**	2,67	6,44	3,60	2,46

In Example 1, Offer 1 is 100% fossil and Offer 2 is 30% fossil and 70% biogenic according to Section 2.1.2. Offers 3-5 are 100% biogenic. The difference between the lowest and highest offered Evaluation Amount per tonne CO_2 is less than 100%, and more than half of the offered Evaluation Amounts are more than 75% higher than the lowest Evaluation Amount. Therefore, 100% is used as interpolation percentage for the calculation of points for sub-criterion, Subsidy.

The calculation of the overall score for example 1 according to the formula in section 2.5 is:

$$\text{Offer overall score} =$$

$$(\text{Evaluation Amount score} * \text{weight}) + (\text{Project Maturity score} * \text{weight}) + (\text{Ramp} - \text{up Quantity score} * \text{weight}) + (\text{Additional Quantity score} * \text{weight})$$

Offer 1: (10 * 60%) + (6 * 20%) + (0.85 * 10%) + (1.60 * 10%) = **7.44**
Offer 2: (0.58 * 60%) + (8 * 20%) + (4.25 * 10%) + (3 * 10%) = **2.67**
Offer 3: (6.3 * 60%) + (9 * 20%) + (3 * 10%) + (5.50 * 10%) = **6.44**
Offer 4: (1.6 * 60%) + (7 * 20%) + (3.55 * 10%) + (9 * 10%) = **3.60**
Offer 5: (2.1 * 60%) + (4 * 20%) + (4 * 10%) + (0 * 10%) = **2.46**

Offer 1 has offered the lowest Evaluation Amount combined with the lowest Ramp-up Quantity and second lowest Additional Quantity, and the second lowest Project Maturity. Offer 1 is the winner with the highest overall score.

Example 2:

Sub-criterion	OFFER 1	OFFER 2	OFFER 3	OFFER 4	OFFER 5
The Evaluation Amount sub-criterion (60 %)	DKK 500+75	DKK 490+22,5	DKK 525	DKK 750	DKK 650
Project Maturity sub-criterion (20 %)	6.00	8,00	9,00	7,00	4,00
Ramp-up Quantity sub-criterion (10%)	0.034 MT CO_2	0.17 MT CO_2	0.12 MT CO_2	0.142 MT CO_2	0.16 MT CO_2
Additional Quantity sub-criterion (10%)	0.032 MTA CO_2	0.06 MTA CO_2	0.11 MTA CO_2	0.18 MTA CO_2	0 MTA CO_2
Overall score (Highest score is the winner)	6,47	8,32	**8,45**	4,95	5,05

In Example 2, Offer 1 is 100% fossil and Offer 2 is 30% fossil and 70% biogenic according to Section 2.2. Offers 3-5 are 100% biogenic. The difference between the lowest and highest offered Evaluation Amounts per tonne CO_2 is lower than 75%. Therefore 75% is used as interpolation percentage for the calculation of points for sub-criterion, Subsidy.

The calculation of the overall score points for example 2 according to the formula in section 2.5 is:

$$\text{Offer overall score} =$$

$$(\text{Evaluation Amount score} * \text{weight}) + (\text{Project Maturity score} * \text{weight}) + (\text{Ramp} - \text{up Quantity score} * \text{weight}) + (\text{Additional Quantity score} * \text{weight})$$

Offer 1: (8.37 * 60%) + (6 * 20%) + (0.85 * 10%) + (1.60 * 10%) = **6.47**
Offer 2: (10 * 60%) + (8 * 20%) + (4.25 * 10%) + (3 * 10%) = **8.32**
Offer 3: (9.7 * 60%) + (9 * 20%) + (3 * 10%) + (5.50 * 10%) = **8.45**
Offer 4: (3.8 * 60%) + (7 * 20%) + (3.55 * 10%) + (9 * 10%) = **4.95**
Offer 5: (6.4 * 60%) + (4 * 20%) + (4 * 10%) + (0 * 10%) = **5.05**

Offer 3 has offered the second lowest Evaluation Amount combined with the highest Project Maturity, second lowest Ramp-up Quantity, and second highest Additional Quantity. Offer 3 is the winner with the highest overall score.