

1. What will be the land-use constraints between wind turbines, avoiding interference with turbine efficiency?

Proponents have been asked to submit a layout of the wind turbines as part of their proposals. The layouts submitted with their proposal should be included in the Crown land application.

Final, setback distances, operational buffers and associated land use restrictions for all project-related infrastructure will be determined through subsequent Crown land and EA processes and will be taken into consideration when determining the final, approved, project footprint and associated leases.

2. Sorry if covered, when does wind turbine/land payments kick in?

The wind turbine tax would start begin when turbines are “in-service”. Essentially once they start producing wind energy. The Crown land reserve fee would begin upon issuance of the Wind Application Recommendation Letter awarding exclusive right to pursue project on land. The Crown land lease fee payments will begin upon issuance of Crown land lease.

3. So you would pay a land reserve fee before EA?

Payments begin upon issuance of the Wind Application Recommendation Letter awarding a successful bidder the exclusive right to pursue projects on lands.

4. Curious as to why you would pay reserve fee before being able to start using it, particularly given you wouldn't even be sure that you ultimately can access the entire area you apply for?

The concept behind the reserve fee is to hold nominated land in exclusively in reserve for the successful bidder, no other application to utilize those lands will be permitted. The successful bidder will have exclusive rights to pursue a project on those lands specifically reserved for the proponent.

5. How long will the typical crown lands reserve period be?

Crown Land reserve period will be determined when the Wind Application Recommendation Letter is issued.

6. When will the land valuation be provided?

The Land Value will be determined by the Department of Fisheries, Forestry and Agriculture for the area to be held in reserve prior to the issuance of the Wind Application Recommendation Letter. A direct comparison approach to calculate land values is used, based on recent known private land sales in the area and any Municipal Assessment Agency land assessments, if required.

The valuation of the Land within the approved reserve will be included in the Wind Application Recommendation Letter issued by IET. Land values cannot be provided in advance of the closure of the bid process and successful bidders have been selected and project areas are known.

7. What if the land has no other known uses, or value (i.e. ridges). Will that be considered in the land valuation?

The Land Value will be determined by the Department of Fisheries, Forestry and Agriculture once the bid areas are known and have been accepted. A direct comparison approach to calculate land values is used based on recent known private land sales in the area and any Municipal Assessment Agency land assessments, if required.

8. How does this valuation and lease assessment compare to mining leases?

Crown land leases are issued under the Lands Act via a direct comparison approach to calculate land values based on recent known private land sales in the area and any Municipal Assessment Agency land assessments, if required.

The valuation of land for surface leases issued under the Mineral Act is calculated by Crown lands by using the same approach used for Crown land leases.

The annual rental for surface leases is 7% of the value calculated by Crown lands. This is the same rate charged for Crown land leases.

9. Once a project is in operations, will you be using the income approach to valuation? I assume direct comparison approach for vacant land, which raises the issue of comparators. Then once the 7% lease fee kicks in, what approach applies? Upshot: it appears the lease fee would double, with the value of the land also increasing significantly given there is a development on it. Is this “double whammy” intended?

The annual rental for leases will be based on land value only and income approach will not be used to calculate that.

10. Is there any guidance on “market value of crown lands” to estimate annual charge?

Crown land leases are issued under the Lands Act and will be valued in keeping with existing Crown lands policy. A direct comparison approach to calculate land values is used, based on recent known private land sales in the area and any Municipal Assessment Agency land assessments, if required.

Please see the Crown lands website [here](#) for more information.

11. In the spirit of certainty, was there any consideration given to setting the value of the land now so developers can know what the cost will be at the outset?

No. Land values cannot be provided in advance of the closure of the bid process and successful bidders have been selected and project areas are known.

A direct comparison approach to calculate land values is used, based on recent known private land sales in the area and any Municipal Assessment Agency land assessments, if required.

12. Will land valuations be completed by a registered member of the Appraisal institute of Canada AACI Papp designation?

Land valuations will be determined by the Department of Fisheries, Forestry and Agriculture in accordance with industry best practices, standards and designations once the areas of interest are known and have been accepted.

13. How is the area of the land determined? Is it a certain amount per turbine? Is all the unused space between turbines included?

Proponents have been asked to submit a layout of the wind turbines with their proposals. The layouts of the turbines, turbine setbacks and fees will be defined and included in the Crown Lands process.

14. Will roads and transmission lines use Easements and turbines use Lease as land tenure? If so, will fee for easements be same as crown lands charge today for transmission lines?

Currently, all land tenure associated with wind-hydrogen projects will be leased.

15. Will existing wind turbines in NL be subject to this new \$4,000 per MW fee?

The Fiscal Framework only applies to Wind/Hydrogen Projects.

16. Does the wind tax assume the turbines are only connected to hydrogen facilities and not connected to the grid?

The Fiscal Framework only applies to Wind/Hydrogen Projects.

17. Will turbines on private land be subject to wind tax?

The Wind Tax is a general application tax that will apply to turbines supplying energy for Hydrogen Projects on Crown or private land.

18. How did GNL arrive at \$500 per 1,000 m³? This seems much higher than other industrial user such as mines, fish plants, breweries, etc?

The \$500 per 1,000m³ use fee is based on anticipated costs to government to implement the regulatory regime associated with this new industry as well as the overall application of the fiscal framework.

19. Is the water use fee only applicable to new water permits or do they apply to water permits already having being issued?

Water use licences are non-transferable so any new use requires a new application for a licence, in which case it would be a new charge. The charges will be outlined in the Water Use Charges Regulations.

20. What is the rationale being GNL's proposal to tax/impose a royalty on an input (i.e. water) rather than an output such as volume of H₂ or ammonia produced. This is a new industry where production at scale has yet to occur anywhere in the world. Therefore proponents so not yet have any certainty in respect of their production capabilities. Under the proposed scenario, GNL does not really share the production/output risk. Isn't the basis for royalties the fact that non-renewable resources are being extracted? How does this regime align with this? So is water considered non-renewable?

The fiscal framework is structured to balance the use of provincial resources with investor returns on a project. The province recognizes that wind-hydrogen energy is an emerging sector with a higher level of risk than traditional energy sectors. There is also a significant amount of publicly-owned resources, including water and land, required for wind-hydrogen facilities. Under the framework, only resource use fees apply in the early project stages, following the approval of leases or permits. The wind electricity tax is not applicable until turbines are in service. The water royalty is will not apply until eligible project costs are recovered. Where cumulative eligible project costs are higher than project revenues, there is no royalty payable.

21. Given the NL Gov'ts goal of attracting investment to the Province, why is there no deduction for the cost of a return to shareholders before the royalty rate is applied?

There is a cumulative return allowance (RA) incorporated into water royalty calculation that acts as a proxy for project debt financing costs. The RA will be applied on the RA Cost pool which includes cumulative eligible project pre-development and development costs to the month before first production. The RA calculation starts in the month of project sanction and ends with Simple Payout, with compounding limited to the development period up to first production.

Return Allowance = [(Cumulative RA Cost Pool plus cumulative return allowance to prior month) minus (cumulative project revenue minus cumulative transportation costs)] multiplied by RA Rate

Simple Payout = year/month when [cumulative project revenue net of transportation costs] is greater than or equal to [cumulative project costs (hydrogen to ammonia

conversion, water to hydrogen conversion, energy consumed, water system, other project costs) plus cumulative taxes and fees (crown land use fees, water use fees, wind electricity tax, etc.)]

22. Can you please define cost recovery? Can we assume capital cost is included?

Project cost recovery, in the context of the Water Royalty, is the point in time when the revenue over cost index (R) = 1. The R numerator allows for deductions of cumulative transportation costs and cumulative prior period water royalty payments from cumulative project revenues.

Along with cumulative crown land use fees, water use fees, wind electricity taxes, other project related taxes/fees (e.g. payroll taxes) and return allowance, the R denominator allows for cumulative project costs falling into these categories: 1. hydrogen to ammonia conversion, 2. water to hydrogen conversion, 3. energy consumed, 4. water system and 5. other project costs.

Cumulative total costs under the 5 categories listed above, can include:

- Project related capital and operating costs (before and after production start-up).
- Costs are not limited to capital costs.

23. Is the land and water fee/taxes considered as a project cost?

The Crown land reserve fee, Crown land lease fee, water use fee and wind electricity tax are considered eligible project costs that will be incorporated into cumulative project costs for the purposes of calculating the water royalty.

24. Based on the Calculation Formula local use would have a disadvantage over hydrogen sold at a faraway Point of Sale. This would be a disadvantage for local use. Why is that?

Project Proponents will assess economics and maximize returns based on a variety of factors including both commodity pricing considerations and transportation costs to the point of sale. When assessing the advantages or disadvantages with local market opportunities or markets outside the Province, Proponents will assess commodity prices net of transportation costs, among other factors, in consideration of offtake arrangements with local versus external buyers.

25. So the royalty payment is included (netted) in the water royalty payments, as well as possible interest cost & fees & taxes?

In the revenue over cost index (R) component (numerator) of the water royalty calculation, cumulative water royalty payments to the end of the previous period are deductible from cumulative revenue. The Crown land reserve fee, Crown land lease fee, water use fee and wind electricity tax are considered eligible project costs that

will be incorporated into cumulative project costs in the R denominator. Interest or other financing charges are not included as eligible costs as the RA has been incorporated into the R denominator to approximate that cost in the water royalty

26. How would you assess ammonia revenues? Price of ammonia at point leaving NL, could be different from price paid by end-user.

Ammonia revenue will be based on the amount of ammonia sold and the price of ammonia in the sale transaction between the seller and buyer. With regards to the price of ammonia, the sale transaction could include various provisions such as the seller or buyer of the ammonia incurring and netting the transportation costs to the point of sale from the price. The point of sale, or where ownership of the ammonia changes hands, could be inside or outside the Province. Fair Market value considerations will be applied to non-arm's length sales transactions.

27. As Green Hydrogen will be a global commodity and it is necessary to support the market ramp up, do you believe the proposed fiscal framework can compete with other jurisdictions in North-America?

No other North American jurisdiction has a comprehensive, industry-specific fiscal framework for wind-hydrogen development. The fiscal framework recognizes the higher level of investor risk and defers royalty payments until project cost are recovered. The Government supports the development of the wind-hydrogen sector and has been working with industry to develop a framework that provides benefit to the province for use of public resources, while also allowing for returns on investment for the proponents.

28. How does this align with the federal ITC being implemented in coming fed budget?

Incentives, including investment tax credits and grants, will not impact the water royalty calculation. Any economic assistance or incentives received in Canada, whether from the federal or provincial government, will not reduce eligible project costs.

29. Given the industry incentives being proposed by the Govt of Canada and expected to be announced shortly in the new federal budget, has the GNL communicated with the relevant GOC departments to ensure alignment?

Incentives, including investment tax credits and grants, will not impact the water royalty calculation. Any economic assistance or incentives received in Canada, whether from the federal or provincial government, will not reduce eligible project costs.

30. Were positive incentives for local content, job creation, etc considered?

Local benefits will be considered as a part of the land bid process, but is not considered as a component under the fiscal framework. Please refer to the Guidelines: Crown Lands Call for Bids for Wind Energy Projects

31. If grid power (ex. NL Hydro) is used to produce green hydrogen, which fees/royalties in this presentation would apply?

The Fiscal Framework applies to Wind/Hydrogen projects only.

32. Based on all the questions from proponents, should we assume this fiscal regime is open to negotiation? If so, should proponents submit Crown Land bids that are conditional on a final fiscal regime that best supports this new industry?

Applicable fees and taxes will not be negotiated but set out in existing or new legislation as required. The Water Royalty will also be implemented through legislation. However, the Province will have the ability to enter into agreements to modify terms relating to the water royalty in same manner as offshore oil projects. If proponents are seeking changes to those terms they should include such information with their bid proposal.

33. Is there any mechanism to further discuss some of these detailed components? The implications of some of these details are quite significant to project economics.

Yes. The Department of Industry, Energy and Technology (IET) will work hard to accommodate requests for individual meetings with proponents prior to the final land bid submission date. Information provided at individual meetings will be provided to all proponents through the Crown Lands Call for Bids for Wind Energy projects website at <https://www.gov.nl.ca/iet/bidding-on-crown-land-for-wind-energy-projects/>

34. Would GNL share the financial model used to develop the \$3.65 billion royalty estimate based on a 1,000 MW project? This would provide projects proponents with the ability to better assess the assumptions and impact on their project's feasibility.

The department will meet with individual proponents as necessary to provide additional information regarding computation aspect of the fiscal framework.

Information provided at individual meetings will be provided to all proponents through the Crown Lands Call for Bids for Wind Energy projects website at <https://www.gov.nl.ca/iet/bidding-on-crown-land-for-wind-energy-projects/>