

ADDENDUM

to

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

for the financing of the Programme “Saving energy and promoting
renewable energy source”
hereinafter referred to as the “Programme Agreement”

between

The Norwegian Ministry of Foreign Affairs
hereinafter referred to as the “NMFA”

and

The Ministry of Infrastructure and Development,
hereinafter referred to as the “Focal Point”,
representing the Republic of Poland,
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”

Article 1

1. The Annexes to the Norwegian Financial Mechanism Programme Agreement for the financing of the Programme PL04 “Saving energy and promoting renewable energy source” are replaced by the Annexes sent with this addendum.
2. The modifications contained in the new versions of Annex I and Annex II to the Programme Agreement entered into force on the 20 June 2014.

Article 2

1. This addendum and the Annexes accompanying it constitute an integral part of the Programme Agreement. Except from the modifications stated above, the Programme Agreement remains unchanged.

Signed in Brussels on.....^{23/06/2014}..... Signed inon.....

For the NMFA

For the Focal Point

.....
Stine Andresen
Director
Financial Mechanism Office

.....
Marcin Kubiak
Undersecretary of State
Ministry of Infrastructure and Development

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Outcome	Output	Output indicator	Indicator value		Description
			Base -line	Target	
Improved energy efficiency in buildings	Increase in the number of public utility buildings with thermal modernization	Estimated number of buildings with thermal modernization [pieces]	0	250	Annexes to periodic applications for payment, final report (certificates of completion)
	Increase in the number of replaced/modernised heat sources	Estimated number of replaced/modernised heat sources [pieces]	0	50	Annexes to periodic applications for payment, final report (certificates of completion)
	Increase in the number of installed/modernised/replaced heat centres	Estimated number of installed/modernised/replaced heat centres [pieces]	0	50	Annexes to periodic applications for payment, final report (certificates of completion)
Reduced production of waste and reduced emissions to air, water and ground	Increase in the number of replaced/modernised boilers	Estimated number of replaced/modernized boilers	0	12	Annexes to periodic applications for payment, final report (certificates of completion)
	Increase in the number of installation regarding desulphurization, denitrification or dust reduction	Estimated number of desulphurisation, denitrification or dust reduction installations	0	31	Annexes to periodic applications for payment, final report (certificates of completion)
Increased awareness of and education in energy efficiency	Completion of the nation-wide campaign on energy saving in households	Inhabitants aware of the campaign on energy efficiency in households	0	5,000,000	Results of the survey
	Increase awareness among the public in relation to the energy savings in households	Number of awareness campaigns	0	1	Completion report of the campaign

Increased renewable energy production	Increased number of installed machines, equipment or installations using renewable energy	Number of installed machines, equipment or installations using renewable energy sources [pieces]	0	2,000	Annexes to periodic applications for payment, final report (certificates of completion)
	Increased power of installed machines, equipment or installations using renewable energy	Newly installed power in RES [MW]	0	15	Annexes to periodic applications for payment, final report (certificates of completion)

2. Conditions

2.1 General

- 1) Bilateral, output and outcome indicators shall be reported on in the annual programme report.
- 2) The National Focal Point shall ensure that any public support under this Programme complies with the procedural and substantive state aid rules applicable at the time when the public support is granted. The National Focal Point shall, by way of the programme implementation agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with state aid rules, particularly decisions to award grants and set grant rates, and provides them to the FMC upon request. The approval of the Programme by the FMC does not imply a positive assessment of such compliance.
- 3) The framework agreement between the Ministry of Environment and the National Fund for Environmental Protection and Water Management shall be submitted to the FMO in English.
- 4) The selection criteria for the open call shall give priority to projects which reduce emissions and/or produce renewable energy in the most cost-efficient way.
- 5) A methodology on the calculation of the flat rate in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO before the deadline referred to in Article 6.3.4 of the Regulation.
- 6) No later than 31 March of every year, the National Focal Point shall provide the FMO with a statement of all co-financing provided by project promoters to their projects during the previous calendar year. The National Focal Point shall ensure that it obtains the necessary information in a timely manner from the Programme Operator by way of appropriate provisions in the Programme Implementation Agreement.
- 7) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):
 - Keep the excepted equipment in their ownership for a period of at least five years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
 - Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
 - Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract;provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, use of that equipment for the overall objectives of the project after the project completion would serve no economic purpose. The National Focal Point shall furthermore ensure that the programme Operator keeps a list of the excepted equipment for each project.
- 8) The National Focal Point shall ensure that the Programme Operator achieves, through the outcomes, 'Improved energy efficiency in buildings' and 'Increased renewable energy production' under this Programme, a minimum CO₂ reduction and/or avoidance of 75,000 tonnes/year . The National Focal Point shall be exonerated from this obligation if it demonstrates to the FMC that the Programme Operator has used its best endeavours to fulfil its obligation.
- 9) The National Focal Point shall ensure that the Programme Operator achieves through the outcome 'Reduced production of waste and reduced emissions to air, water and ground' the indicators referred to in attachment 1 to Annex II of this programme agreement.
- 10) A plan on the use of the fund for bilateral relations and the fund set-up shall be prepared in consultation with the Norwegian Water Resources and Energy Directorate (NVE) This plan shall be submitted to the FMC at the latest on 01.03.2013. The FMC will communicate its decision within 10 working days from the date of receipt.

2.2 Pre-eligibility

Not applicable.

2.3 Pre-payment:

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

3. Eligibility of Costs

3.1 Eligibility period

Eligibility of costs (excluding prog. prep. costs): 21/12/2012 – 30/04/2017.

Eligibility of programme proposal preparation costs: 17/06/2011 – 20/12/2012.

3.2 Grant rate and co-financing:

Estimated total programme cost	€180,587,795
	€145,000,000
Estimated EEA/N FM contribution (% of total)	(80,29%)
	€35,587,795
Estimated National Contribution (% of total) ¹	(19,71 %)
Programme estimated eligible expenditure	€146, 375,170
Programme grant rate (%)	99,06 %
Maximum amount of programme grant	€145,000,000

3.3 Programme eligible expenditure (€) and advance payment amount (€):

Budget heading	Contribution from EEA/N FM	Contribution from Programme Operator	Total eligible expenditure	Advance payment (EEA/N FM contribution)
Programme Management	€4,829,572	€852,278	€5,681,850	€360,680
Improved energy efficiency in buildings	€55,905,250		€55,905,250	
Reduced production of waste and reduced emissions to air, water and ground (including pre-defined projects and additional call)	€68,600,000		€68,600,000	
Increased renewable energy production	€11,488,750		€11,488,750	
Increased awareness of and education in energy efficiency	€1,213,375		€1,213,375	
Fund for bilateral relations	€2,175,000	€383,824	€2,558,824	
Preparation of programme proposal	€63,053	€11,127	€74,180	€37,625
Reserve for exchange rate losses	€725,000	€127,941	€852,941	
Total	€145,000,000	€1, 375170	€146,375,170	€398,305

¹ Including national contribution to the Programme and to Projects, based on Programme Proposal.

3.4 *Retention of management costs:*

Retention of management costs - percentage of the grant amount	10%
Retention of management costs – planned euro value	€482 957

3.5 *Small grant scheme:*

Not applicable.

Annex II - Operational rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Ministry of Environment with support from the National Fund for Environmental Protection.

The programme is implemented through open calls for proposals and the pre-defined projects referred to under Section 6 of this annex.

The programme will support projects to improve energy efficiency in buildings, increase renewable energy production (in connection with buildings) and to increase awareness of and education in energy efficiency. The objectives are to reduce emissions of greenhouse gases and air pollutants and increase the share of renewable energy in energy use.

Foreseen measures cover thermo-modernization, as well as installation, modernization or replacement of heat centres.

The programme will also support measures such as modernization or replacement of existing energy sources of up to 5 MW, including the possible replacement or rebuilding of obsolete local systems.

Educational and promotional activities will also be implemented.

Eligible RES measures will *inter alia* include

- high efficiency cogeneration/trigeneration, micro turbines and heat recuperation.

The programme will furthermore support projects aimed at climate change mitigation and reduced emissions to air, namely:

- modernization of expansion of combustion installations and heating systems;
- modernization of equipment or delivery of equipment of fuel combustion or installations to reduce emissions of gases and dusts;
- conversion of combustion installations into environmentally friendly ones.

1.2 Eligible applicants:

Eligible applicants under the call for proposals are public entities and private entities providing public service

Eligible applicants under the additional call for proposals for the outcome 'Reduced production of waste and reduced emissions to air, water and ground' are small, medium-sized and large enterprises.

1.3 Special rules on eligibility of costs:

In general, costs are eligible in accordance with Chapter 7 of the Regulation with the following exception:

- by way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of equipment will be eligible if the equipment is an integral and necessary component for the implementation of measures that are essential for achieving the outcome of the project.

Indirect costs can be based on a flat rate of up to 20% of total direct eligible costs in accordance with Article 7.4.1(b) of the Regulation, further to be stipulated in each project contract. A detailed methodology for establishing the fair apportionment of costs according to the above shall be provided by the Programme Operator.

In-kind costs are not eligible in projects.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for in the open call is €170,000; the maximum amount is €3,000,000.

The grant assistance applied for in the pre-defined project is referred to under Section 6.

The minimum amount of grant assistance applied for in the additional open call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' is €600,000; the maximum amount is €5,000,000.

2.2 Project grant rate:

Grants from the programme will not exceed 80% of total eligible project costs. The remaining costs of the project shall be provided or obtained by the Project Promoters.

Grants from the programme under the additional call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' will not exceed 30% of total eligible project costs. The remaining costs of the project shall be provided or obtained by the Project Promoters.

Exact grant rates will be set for each project, taking into account any expected economic benefit generated by the project. Project cost (grant + co-financing) payback time shall normally not exceed 20 years.

The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects.

Project grant rate for the pre-defined projects is referred to under Section 6 of this annex.

3. Selection of projects

3.1 Selection procedures:

The selection procedures will mainly follow the procedures provided for in Article 6.5 of the Regulation with the exception that, an additional appeals procedure after the review by the experts is added and the Selection Committee makes a final decision on which projects are supported, which is not subject to review by the Programme Operator.

The Programme Operator shall review the applications for compliance with administrative and eligibility criteria. If at this stage the Programme Operator detects any inconsistencies or obvious errors that can be remedied, the applicant shall be given a short deadline to do so. Applicants whose applications are rejected at this stage have the right to appeal that decision to the Programme Operator. In case of a negative decision of the Programme Operator, that decision can be appealed further to the National Focal Point. In case of a positive decision by the Programme Operator or the National Focal Point the decision will be subject to an appraisal, otherwise the application goes no further.

Each application which meets the administrative and eligibility criteria shall, in accordance with paragraphs 2, 3 and 5 of Article 6.5 of the Regulation, be reviewed by two experts of

the National Fund for Environmental Protection and Water Management who are not involved in the implementation of the Programme. The experts who are appointed by the Programme Operator shall have the relevant expertise in the given field. The two experts will separately score the projects according to the selection criteria adopted by the Selection Committee and in accordance with paragraph 3 of Article 6.5 of the Regulation. In a situation where the difference in scores given to the application by each of the two experts will be greater than 30% of the higher score, the Programme Operator shall designate an additional third expert for the review. In that case the average score of the two closest scores shall be used for the ranking of the projects.

Applicants are informed of the results of this content-related review of the experts and have the right to appeal their decision to Programme Operator and subsequently to the National Focal Point.

The Programme Operator prepares the ranking list of proposals recommended for funding based on the scores awarded by experts and submits it to the Selection Committee. It shall at the same time provide the FMC with the ranked list in English. Projects submitted to the Committee after the content-related review will include justification along with recommendations for selected proposals. The Committee, after the analysis of the ranking list, may, in justified cases, modify the order of listed projects eligible for support. The justification for such modification should be included in the minutes from the Selection Committee meeting. If this modification results in a project's rejection, the affected applicant shall be informed in writing about the justification for the modification. Apart from the basic list of recommended projects, the Selection Committee may also indicate projects for a reserve list.

The Selection Committee submits the list of recommended projects to the Programme Operator who informs the applicants of the results of the selection process and publishes the results on the Programme website.

3.2 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

There shall be one open call for applications which shall be launched in the second quarter of 2013 and make available at least EUR 67,394,000 of the EEA FM grant amount. The call shall be open at least for 2 months.

In case of savings from the call referred to in the previous paragraph, or an insufficient number of proposals or an insufficient substantive value submitted in such call, the Programme Operator can:

- Conduct a supplementary call or calls. The same rules provided above shall apply *mutatis mutandis* to that/those call/s
- Make use of applications included in the reserve projects list; or
- Reallocate funds in accordance with Article 6.9 of the Regulation. This option is only applicable in the final stages of the programme implementation period and only if conducting a supplementary call or making use of programmes on the reserve list is not feasible due to small savings amounts, lack of time or lack of interest on behalf of the applicants on the reserve list.

There shall be an additional call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' which shall make available at least €12,639,873, as well as any further savings from pre-defined projects listed in the attachment to this Annex (attachment 1). The additional call shall be launched no later than in the first quarter of 2014 and shall be open for at least 2 months.

3.3 Selection criteria:

The open call and content related criteria will include, *inter alia*:

- Feasibility;
- Legitimacy;
- Economic efficiency;
- Innovation and planned ecological effect;
- Environmental impact and contribution to the achievement of aims, outcomes and outputs of the Programme

Priority shall be given to projects with the highest reduction of CO₂ emissions and/or the highest production of renewable energy in the most cost efficient way.

In addition to the above criteria, under the additional call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' only projects achieving a minimum volume of CO₂ emission reduction or avoidance per year, as defined in chapter 2 of the call announcement, will be selected.

Detailed selection criteria will be developed by the Programme Operator and adopted by the Selection Committee at its first meeting and submitted subsequently to the FMO but no later than the deadline referred to in Article 6.3.4 of the Regulation.

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 Payment flows

Payments towards the projects will be in the form of advance payments, interim payments in the form of reimbursements of incurred expenditures, and a final payment to be paid after the approval of a final report.

Projects operated by public sector entities, including territorial local governments, shall receive payments in the form of one advance payment and through interim payments, and a final payment. The advance payment shall be requested by the Project Promoter and cannot be higher than 40% of the total awarded grant amount. The advance shall be offset against incurred expenditure reported in the interim financial reports. The advance is deducted from the reimbursements of incurred expenditure until the total advance payment has been offset.

Projects operated by beneficiaries which are not public sector entities shall receive payments in the form of one advance payment and through interim payments, and a final payment. The advance payment shall be requested by the Project Promoters and cannot be higher than 10% of the total awarded grant amount. The advance shall be offset against incurred expenditure reported in the interim financial reports. The advance is deducted from the reimbursements of incurred expenditure until the total advance payment has been offset.

Notwithstanding the previous paragraph, payments towards the pre-defined projects mentioned in section 6.2.1 of this annex and towards the projects from the additional call under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' shall be in the form of interim payments and/or a final payment in the form of a reimbursement of incurred expenditure.

Payments to all projects shall be transferred to the Project Promoter no later than three months from submission of an interim payment claim, provided that it is correct and complete, and no later than one month after its approval by the Programme Operator.

4.2 Verification of payment claims

Payments to projects are made on the basis of approved project interim/final reports.

Verification and approval of project interim reports will be based on information on incurred expenditure, financial status and projects progress contained in the interim reports, and on additional information to be submitted together with the reports.

In case of verification of expenditure incurred by a donor project partner, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the project partner's country, shall be seen as sufficient proof of costs incurred. This rule only applies to donor project partners cf. Article 7.13.5 of the Regulation.

The procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting will further be outlined in the description of the Programmes management and control systems according to article 4.8.2 of the Regulation.

National Fund for Environmental Protection and Water Management shall be responsible for verification and approval of financial documents. The Ministry of the Environment shall verify summary reports submitted by the National Fund and perform general supervision.

4.3 Monitoring and reporting

Project Promoters shall be required to report on project financial progress and outputs in interim reports, and at the end of the project in a final report. The frequency of interim reporting to the Programme Operator shall be based on an agreed timetable, but no less than three times a year.

For the pre-defined projects, on-the-spot monitoring will be performed at least once for each project during the implementation period.

For projects selected through an open call, including the additional call under the outcome 'Reduced production of waste and reduced emissions to air, water and ground', on-the-spot monitoring will be conducted annually on a sample of projects selected randomly, and on the basis of a risk analysis. The analysis takes into account, among other things, the material and financial progress of a project, the time remaining to project completion, and the correctness of prepared reporting documentation.

As a rule, on-the-spot monitoring at the end of the realisation of the project is performed after the Beneficiary has submitted the last payment claim to the Programme Operator.

On-the-spot monitoring can also be conducted on an ad-hoc basis when considered necessary.

Information on Reporting and Monitoring will further be outlined in the description of the Programme's management and control systems according to article 4.8.2 of the regulation.

The National Fund for Environmental Protection and Water Management shall be responsible for monitoring and ensuring the punctual transfer of payment as well as recovering of undue payments. The Ministry of the Environment shall verify summary reports submitted by the National Fund and perform general supervision.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations

Resources allocated to the Fund for Bilateral Relations at the programme level shall not be less than 1.5 % of the total eligible costs of the Programme.

The plan for the use of the fund for bilateral relations and the fund set-up shall be developed further, in cooperation with the Norwegian Water Resources and Energy Directorate (NVE), and submitted to the FMC for approval.

Funding will be set aside for activities that strengthen the cooperation between the Programme Operators and similar entities within the Beneficiary States and Donor States and exchange experiences and best practices related to the implementation of the Programme. This funding should also facilitate the participation of relevant stakeholders in events/seminars/activities (organized for example by Council of Europe, European Union Agency for Fundamental Rights and others) agreed with the Donors. Eligible costs are defined in Article 7.7 of the Regulation

5.2 *Complementary action*

Not applicable.

5.3 *Reserve for exchange rate losses*

Contracts between the Programme Operator and the Project Promoter will be defined in PLN.

The reserve for exchange rate losses will be used to cover the exchange rate losses of the PO only, resulting from the difference between the exchange rate used for the Programme budget planning and the exchange rates used for the actual expenditures (including the difference between the exchange rate used for awarding grants to projects and the exchange rate used for the settlement of project grants).

5.4 *Small Grant Schemes*

Not applicable.

6. **Pre-defined projects**

The following pre-defined projects are implemented under the programme:

6.1 Pre-defined projects referred to in the MoU

Educational and promotional activities in the field of energy efficiency and use of renewable energy including the environmentally friendly houses

<i>Project promoter:</i>	Department of Environmental Information (DEI) within the Ministry of the Environment.
<i>Grant rate:</i>	85%
<i>Grant amount:</i>	€1,213,375
<i>Total project cost:</i>	€1,427,500
<i>Description:</i>	The project consists of a nation-wide educational campaign on energy saving in households and proportion of efficient use of energy and renewable energy. The objective is to increase awareness and education of energy efficiency.
<i>Outcome:</i>	Increased awareness of and education in energy efficiency.

6.2 Other pre-defined projects

6.2.1 The pre-defined projects listed in the attachment to this annex (attachment 1) shall all be implemented under the outcome “*Reduced production of waste and reduced emissions to air, water and ground*”:

Due to the fact that priority is given to the projects which aim at reduction of CO2 emissions, all projects from the list in attachment 1 that stipulate CO2 reduction are offered assistance. The other projects are offered assistance according to the highest ranking order on the list, which is based on the scores given during the content-related assessment.

The allocated grant amounts to each project are indicated in attachment 1.

6.2.2 Any savings from pre-defined projects listed in attachment 1 shall increase the amounts allocated to projects under the additional open call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground'. In case there are funds uncommitted following the conclusion of the additional open call, further steps shall be consulted and agreed upon with the FMC.

6.2.3 Appraisal of pre-defined projects

The pre-defined projects in attachment 1, referred to in Section 6.2.1 above, have already been appraised through a qualified selection procedure and have therefore fulfilled the requirements of an appraisal referred to in Article 5.5.3 of the Regulation. The first date of eligibility of costs for the projects is the date on which the Programme Operator informed the Project Promoters that the projects met the conditions of eligibility required during the selection procedure. The first date of eligibility for the projects shall be stipulated in the project contracts.

7. Modification of the Programme

The rules on modifications of Programmes are in Article 5.9 of the Regulation and Article 2.9 of the Programme Agreement.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as a reference to the version signed by the Programme Operator on 1 February 2012 and shall include all subsequent correspondence and communication between the Donors, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.

ADDENDUM

to

EEA Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

for the financing of the Programme “Saving energy and promoting
renewable energy source”
hereinafter referred to as the “Programme Agreement”

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway
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and

The Ministry of Infrastructure and Development,
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Signed in Brussels on.....²³/₀₆/2017 Signed inon.....

For the FMC

For the Focal Point

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Stine Andresen
Director
Financial Mechanism Office

Marcin Kubiak
Undersecretary of State
Ministry of Infrastructure and Development

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Outcome	Output	Output indicator	Indicator value		Description
			Base -line	Target	
Improved energy efficiency in buildings	Increase in the number of public utility buildings with thermal modernization	Estimated number of buildings with thermal modernization [pieces]	0	250	Annexes to periodic applications for payment, final report (certificates of completion)
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Increased awareness of and education in energy efficiency	Completion of the nationwide campaign on energy saving in households	Inhabitants aware of the campaign on energy efficiency in households	0	5,000,000	Results of the survey
	Increase awareness among the public in relation to the energy savings in households	Number of awareness campaigns	0	1	Completion report of the campaign

Increased renewable energy production	Increased number of installed machines, equipment or installations using renewable energy	Number of installed machines, equipment or installations using renewable energy sources [pieces]	0	2,000	Annexes to periodic applications for payment, final report (certificates of completion)
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2.1 General

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- 3) The framework agreement between the Ministry of Environment and the National Fund for Environmental Protection and Water Management shall be submitted to the FMO in English.
- 4) The selection criteria for the open call shall give priority to projects which reduce emissions and/or produce renewable energy in the most cost-efficient way.
- 5) A methodology on the calculation of the flat rate in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO before the deadline referred to in Article 6.3.4 of the Regulation.
- 6) No later than 31 March of every year, the National Focal Point shall provide the FMO with a statement of all co-financing provided by project promoters to their projects during the previous calendar year. The National Focal Point shall ensure that it obtains the necessary information in a timely manner from the Programme Operator by way of appropriate provisions in the Programme Implementation Agreement.
- 7) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):
 - Keep the excepted equipment in their ownership for a period of at least five years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
 - Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
 - Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract;provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, use of that equipment for the overall objectives of the project after the project completion would serve no economic purpose. The National Focal Point shall furthermore ensure that the programme Operator keeps a list of the excepted equipment for each project.
- 8) The National Focal Point shall ensure that the Programme Operator achieves, through the outcomes, 'Improved energy efficiency in buildings' and 'Increased renewable energy production' under this Programme, a minimum CO₂ reduction and/or avoidance of 75,000 tonnes/year. The National Focal Point shall be exonerated from this obligation if it demonstrates to the FMC that the Programme Operator has used its best endeavours to fulfil its obligation.
- 9) The National Focal Point shall ensure that the Programme Operator achieves through the outcome 'Reduced production of waste and reduced emissions to air, water and ground' the indicators referred to in attachment 1 to Annex II of this programme agreement.
- 10) A plan on the use of the fund for bilateral relations and the fund set-up shall be prepared in consultation with the Norwegian Water Resources and Energy Directorate (NVE) This plan shall be submitted to the FMC at the latest on 01.03.2013. The FMC will communicate its decision within 10 working days from the date of receipt.

2.2 Pre-eligibility

Not applicable.

2.3 Pre-payment:

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

3. Eligibility of Costs

3.1 Eligibility period

Eligibility of costs (excluding prog. prep. costs): 21/12/2012 – 30/04/2017.

Eligibility of programme proposal preparation costs: 17/06/2011 – 20/12/2012.

3.2 Grant rate and co-financing:

Estimated total programme cost **€180,587,795**

€145,000,000

Estimated EEA/N FM contribution (% of total) (80,29%)

€35,587,795

Estimated National Contribution (% of total)¹ (19,71 %)

Programme estimated eligible expenditure **€146, 375,170**

Programme grant rate (%) 99,06 %

Maximum amount of programme grant **€145,000,000**

3.3 Programme eligible expenditure (€) and advance payment amount (€):

Budget heading	Contribution from EEA/N FM	Contribution from Programme Operator	Total eligible expenditure	Advance payment (EEA/N FM contribution)
Programme Management	€4,829,572	€852,278	€5,681,850	€360,680
Improved energy efficiency in buildings	€55,905,250		€55,905,250	
Reduced production of waste and reduced emissions to air, water and ground (including pre-defined projects and additional call)	€68,600,000		€68,600,000	
Increased renewable energy production	€11,488,750		€11,488,750	
Increased awareness of and education in energy efficiency	€1,213,375		€1,213,375	
Fund for bilateral relations	€2,175,000	€383,824	€2,558,824	
Preparation of programme proposal	€63,053	€11,127	€74,180	€37,625
Reserve for exchange rate losses	€725,000	€127,941	€852,941	
Total	€145,000,000	€1, 375170	€146,375,170	€398,305

¹ Including national contribution to the Programme and to Projects, based on Programme Proposal.

3.4 *Retention of management costs:*

Retention of management costs - percentage of the grant amount	10%
Retention of management costs – planned euro value	€482 957

3.5 *Small grant scheme:*

Not applicable.

Annex II - Operational rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Ministry of Environment with support from the National Fund for Environmental Protection.

The programme is implemented through open calls for proposals and the pre-defined projects referred to under Section 6 of this annex.

The programme will support projects to improve energy efficiency in buildings, increase renewable energy production (in connection with buildings) and to increase awareness of and education in energy efficiency. The objectives are to reduce emissions of greenhouse gases and air pollutants and increase the share of renewable energy in energy use.

Foreseen measures cover thermo-modernization, as well as installation, modernization or replacement of heat centres.

The programme will also support measures such as modernization or replacement of existing energy sources of up to 5 MW, including the possible replacement or rebuilding of obsolete local systems.

Educational and promotional activities will also be implemented.

Eligible RES measures will *inter alia* include

- high efficiency cogeneration/trigeneration, micro turbines and heat recuperation.

The programme will furthermore support projects aimed at climate change mitigation and reduced emissions to air, namely:

- modernization of expansion of combustion installations and heating systems;
- modernization of equipment or delivery of equipment of fuel combustion or installations to reduce emissions of gases and dusts;
- conversion of combustion installations into environmentally friendly ones.

1.2 Eligible applicants:

Eligible applicants under the call for proposals are public entities and private entities providing public service

Eligible applicants under the additional call for proposals for the outcome 'Reduced production of waste and reduced emissions to air, water and ground' are small, medium-sized and large enterprises.

1.3 Special rules on eligibility of costs:

In general, costs are eligible in accordance with Chapter 7 of the Regulation with the following exception:

- by way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of equipment will be eligible if the equipment is an integral and necessary component for the implementation of measures that are essential for achieving the outcome of the project.

Indirect costs can be based on a flat rate of up to 20% of total direct eligible costs in accordance with Article 7.4.1(b) of the Regulation, further to be stipulated in each project contract. A detailed methodology for establishing the fair apportionment of costs according to the above shall be provided by the Programme Operator.

In-kind costs are not eligible in projects.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for in the open call is €170,000; the maximum amount is €3,000,000.

The grant assistance applied for in the pre-defined project is referred to under Section 6.

The minimum amount of grant assistance applied for in the additional open call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' is €600,000; the maximum amount is €5,000,000.

2.2 Project grant rate:

Grants from the programme will not exceed 80% of total eligible project costs. The remaining costs of the project shall be provided or obtained by the Project Promoters.

Grants from the programme under the additional call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' will not exceed 30% of total eligible project costs. The remaining costs of the project shall be provided or obtained by the Project Promoters.

Exact grant rates will be set for each project, taking into account any expected economic benefit generated by the project. Project cost (grant + co-financing) payback time shall normally not exceed 20 years.

The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects.

Project grant rate for the pre-defined projects is referred to under Section 6 of this annex.

3. Selection of projects

3.1 Selection procedures:

The selection procedures will mainly follow the procedures provided for in Article 6.5 of the Regulation with the exception that, an additional appeals procedure after the review by the experts is added and the Selection Committee makes a final decision on which projects are supported, which is not subject to review by the Programme Operator.

The Programme Operator shall review the applications for compliance with administrative and eligibility criteria. If at this stage the Programme Operator detects any inconsistencies or obvious errors that can be remedied, the applicant shall be given a short deadline to do so. Applicants whose applications are rejected at this stage have the right to appeal that decision to the Programme Operator. In case of a negative decision of the Programme Operator, that decision can be appealed further to the National Focal Point. In case of a positive decision by the Programme Operator or the National Focal Point the decision will be subject to an appraisal, otherwise the application goes no further.

Each application which meets the administrative and eligibility criteria shall, in accordance with paragraphs 2, 3 and 5 of Article 6.5 of the Regulation, be reviewed by two experts of

the National Fund for Environmental Protection and Water Management who are not involved in the implementation of the Programme. The experts who are appointed by the Programme Operator shall have the relevant expertise in the given field. The two experts will separately score the projects according to the selection criteria adopted by the Selection Committee and in accordance with paragraph 3 of Article 6.5 of the Regulation. In a situation where the difference in scores given to the application by each of the two experts will be greater than 30% of the higher score, the Programme Operator shall designate an additional third expert for the review. In that case the average score of the two closest scores shall be used for the ranking of the projects.

Applicants are informed of the results of this content-related review of the experts and have the right to appeal their decision to Programme Operator and subsequently to the National Focal Point.

The Programme Operator prepares the ranking list of proposals recommended for funding based on the scores awarded by experts and submits it to the Selection Committee. It shall at the same time provide the FMC with the ranked list in English. Projects submitted to the Committee after the content-related review will include justification along with recommendations for selected proposals. The Committee, after the analysis of the ranking list, may, in justified cases, modify the order of listed projects eligible for support. The justification for such modification should be included in the minutes from the Selection Committee meeting. If this modification results in a project's rejection, the affected applicant shall be informed in writing about the justification for the modification. Apart from the basic list of recommended projects, the Selection Committee may also indicate projects for a reserve list.

The Selection Committee submits the list of recommended projects to the Programme Operator who informs the applicants of the results of the selection process and publishes the results on the Programme website.

3.2 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

There shall be one open call for applications which shall be launched in the second quarter of 2013 and make available at least EUR 67,394,000 of the EEA FM grant amount. The call shall be open at least for 2 months.

In case of savings from the call referred to in the previous paragraph, or an insufficient number of proposals or an insufficient substantive value submitted in such call, the Programme Operator can:

- Conduct a supplementary call or calls. The same rules provided above shall apply *mutatis mutandis* to that/those call/s
- Make use of applications included in the reserve projects list; or
- Reallocate funds in accordance with Article 6.9 of the Regulation. This option is only applicable in the final stages of the programme implementation period and only if conducting a supplementary call or making use of programmes on the reserve list is not feasible due to small savings amounts, lack of time or lack of interest on behalf of the applicants on the reserve list.

There shall be an additional call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' which shall make available at least €12,639,873, as well as any further savings from pre-defined projects listed in the attachment to this Annex (attachment 1). The additional call shall be launched no later than in the first quarter of 2014 and shall be open for at least 2 months.

3.3 Selection criteria:

The open call and content related criteria will include, *inter alia*:

- Feasibility;
- Legitimacy;
- Economic efficiency;
- Innovation and planned ecological effect;
- Environmental impact and contribution to the achievement of aims, outcomes and outputs of the Programme

Priority shall be given to projects with the highest reduction of CO₂ emissions and/or the highest production of renewable energy in the most cost efficient way.

In addition to the above criteria, under the additional call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' only projects achieving a minimum volume of CO₂ emission reduction or avoidance per year, as defined in chapter 2 of the call announcement, will be selected.

Detailed selection criteria will be developed by the Programme Operator and adopted by the Selection Committee at its first meeting and submitted subsequently to the FMO but no later than the deadline referred to in Article 6.3.4 of the Regulation.

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 Payment flows

Payments towards the projects will be in the form of advance payments, interim payments in the form of reimbursements of incurred expenditures, and a final payment to be paid after the approval of a final report.

Projects operated by public sector entities, including territorial local governments, shall receive payments in the form of one advance payment and through interim payments, and a final payment. The advance payment shall be requested by the Project Promoter and cannot be higher than 40% of the total awarded grant amount. The advance shall be offset against incurred expenditure reported in the interim financial reports. The advance is deducted from the reimbursements of incurred expenditure until the total advance payment has been offset.

Projects operated by beneficiaries which are not public sector entities shall receive payments in the form of one advance payment and through interim payments, and a final payment. The advance payment shall be requested by the Project Promoters and cannot be higher than 10% of the total awarded grant amount. The advance shall be offset against incurred expenditure reported in the interim financial reports. The advance is deducted from the reimbursements of incurred expenditure until the total advance payment has been offset.

Notwithstanding the previous paragraph, payments towards the pre-defined projects mentioned in section 6.2.1 of this annex and towards the projects from the additional call under the outcome 'Reduced production of waste and reduced emissions to air, water and ground' shall be in the form of interim payments and/or a final payment in the form of a reimbursement of incurred expenditure.

Payments to all projects shall be transferred to the Project Promoter no later than three months from submission of an interim payment claim, provided that it is correct and complete, and no later than one month after its approval by the Programme Operator.

4.2 Verification of payment claims

Payments to projects are made on the basis of approved project interim/final reports.

Verification and approval of project interim reports will be based on information on incurred expenditure, financial status and projects progress contained in the interim reports, and on additional information to be submitted together with the reports.

In case of verification of expenditure incurred by a donor project partner, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the project partner's country, shall be seen as sufficient proof of costs incurred. This rule only applies to donor project partners cf. Article 7.13.5 of the Regulation.

The procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting will further be outlined in the description of the Programmes management and control systems according to article 4.8.2 of the Regulation.

National Fund for Environmental Protection and Water Management shall be responsible for verification and approval of financial documents. The Ministry of the Environment shall verify summary reports submitted by the National Fund and perform general supervision.

4.3 Monitoring and reporting

Project Promoters shall be required to report on project financial progress and outputs in interim reports, and at the end of the project in a final report. The frequency of interim reporting to the Programme Operator shall be based on an agreed timetable, but no less than three times a year.

For the pre-defined projects, on-the-spot monitoring will be performed at least once for each project during the implementation period.

For projects selected through an open call, including the additional call under the outcome 'Reduced production of waste and reduced emissions to air, water and ground', on-the-spot monitoring will be conducted annually on a sample of projects selected randomly, and on the basis of a risk analysis. The analysis takes into account, among other things, the material and financial progress of a project, the time remaining to project completion, and the correctness of prepared reporting documentation.

As a rule, on-the-spot monitoring at the end of the realisation of the project is performed after the Beneficiary has submitted the last payment claim to the Programme Operator.

On-the-spot monitoring can also be conducted on an ad-hoc basis when considered necessary.

Information on Reporting and Monitoring will further be outlined in the description of the Programme's management and control systems according to article 4.8.2 of the regulation.

The National Fund for Environmental Protection and Water Management shall be responsible for monitoring and ensuring the punctual transfer of payment as well as recovering of undue payments. The Ministry of the Environment shall verify summary reports submitted by the National Fund and perform general supervision.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations

Resources allocated to the Fund for Bilateral Relations at the programme level shall not be less than 1.5 % of the total eligible costs of the Programme.

The plan for the use of the fund for bilateral relations and the fund set-up shall be developed further, in cooperation with the Norwegian Water Resources and Energy Directorate (NVE), and submitted to the FMC for approval.

Funding will be set aside for activities that strengthen the cooperation between the Programme Operators and similar entities within the Beneficiary States and Donor States and exchange experiences and best practices related to the implementation of the Programme. This funding should also facilitate the participation of relevant stakeholders in events/seminars/activities (organized for example by Council of Europe, European Union Agency for Fundamental Rights and others) agreed with the Donors. Eligible costs are defined in Article 7.7 of the Regulation

5.2 *Complementary action*

Not applicable.

5.3 *Reserve for exchange rate losses*

Contracts between the Programme Operator and the Project Promoter will be defined in PLN.

The reserve for exchange rate losses will be used to cover the exchange rate losses of the PO only, resulting from the difference between the exchange rate used for the Programme budget planning and the exchange rates used for the actual expenditures (including the difference between the exchange rate used for awarding grants to projects and the exchange rate used for the settlement of project grants).

5.4 *Small Grant Schemes*

Not applicable.

6. **Pre-defined projects**

The following pre-defined projects are implemented under the programme:

6.1 Pre-defined projects referred to in the MoU

Educational and promotional activities in the field of energy efficiency and use of renewable energy including the environmentally friendly houses

<i>Project promoter:</i>	Department of Environmental Information (DEI) within the Ministry of the Environment.
<i>Grant rate:</i>	85%
<i>Grant amount:</i>	€1,213,375
<i>Total project cost:</i>	€1,427,500
<i>Description:</i>	The project consists of a nation-wide educational campaign on energy saving in households and proportion of efficient use of energy and renewable energy. The objective is to increase awareness and education of energy efficiency.
<i>Outcome:</i>	Increased awareness of and education in energy efficiency.

6.2 Other pre-defined projects

6.2.1 The pre-defined projects listed in the attachment to this annex (attachment 1) shall all be implemented under the outcome “*Reduced production of waste and reduced emissions to air, water and ground*”:

Due to the fact that priority is given to the projects which aim at reduction of CO2 emissions, all projects from the list in attachment 1 that stipulate CO2 reduction are offered assistance. The other projects are offered assistance according to the highest ranking order on the list, which is based on the scores given during the content-related assessment.

The allocated grant amounts to each project are indicated in attachment 1.

6.2.2 Any savings from pre-defined projects listed in attachment 1 shall increase the amounts allocated to projects under the additional open call for proposals under the outcome 'Reduced production of waste and reduced emissions to air, water and ground'. In case there are funds uncommitted following the conclusion of the additional open call, further steps shall be consulted and agreed upon with the FMC.

6.2.3 **Appraisal of pre-defined projects**

The pre-defined projects in attachment 1, referred to in Section 6.2.1 above, have already been appraised through a qualified selection procedure and have therefore fulfilled the requirements of an appraisal referred to in Article 5.5.3 of the Regulation. The first date of eligibility of costs for the projects is the date on which the Programme Operator informed the Project Promoters that the projects met the conditions of eligibility required during the selection procedure. The first date of eligibility for the projects shall be stipulated in the project contracts.

7. Modification of the Programme

The rules on modifications of Programmes are in Article 5.9 of the Regulation and Article 2.9 of the Programme Agreement.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as a reference to the version signed by the Programme Operator on 1 February 2012 and shall include all subsequent correspondence and communication between the Donors, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.