

# Financial Assistance for Investment Programs



## PARAMETERS AND TERMS AND CONDITIONS

<p><b>Description</b></p>	<ul style="list-style-type: none"> <li>• The Financial Assistance for Investment Program is a measure which aims to promote investments by businesses served by Hydro-Québec's off-the-grid power systems.</li> <li>• The assistance provided in the form of reduced electricity costs allows for the reimbursement of up to 50% of the eligible costs: <ul style="list-style-type: none"> <li>— 40% of the eligible capitalized costs;</li> <li>— an additional 10% for a 20% greenhouse gas (GHG) emission intensity reduction.</li> </ul> </li> <li>• The maximum reduction of the electricity bill is 20% for a maximum period of: <ul style="list-style-type: none"> <li>— four years or;</li> <li>— eight years insofar as eligible capitalized costs of at least \$250 million have been the subject of an audited report or;</li> <li>— four years over a maximum of six years for projects where the business has successfully demonstrated to the Ministère des Finances, before January 1, 2023, that the project has been impacted by the public health crisis.</li> </ul> </li> </ul>
<p><b>Investment projects targeted</b></p>	<ul style="list-style-type: none"> <li>• The measure targets investment projects that facilitate: <ul style="list-style-type: none"> <li>— the conversion of production processes to adapt existing products to market demand;</li> <li>— the enhancement of productivity or energy efficiency through the modernization of operating procedures;</li> <li>— increased output to adapt supply to market demand;</li> <li>— a new production start-up.</li> </ul> </li> </ul>

<p><b>Time frame</b></p>	<p><b>Enrolment period to submit an application:</b></p> <ul style="list-style-type: none"> <li>from January 1, 2019 to December 31, 2023.</li> </ul> <p><b>Period for the completion of qualifying investments:</b></p> <ul style="list-style-type: none"> <li>from January 1, 2019 to December 31, 2025.</li> </ul> <p><b>Period of application of the discount:</b></p> <ul style="list-style-type: none"> <li>from January 1, 2019 to December 31, 2032.</li> </ul>
<p><b>Eligibility</b></p>	<p><b>Investment projects</b></p> <ul style="list-style-type: none"> <li>To be eligible, investment projects must be completed in Québec in large power businesses served by Hydro-Québec's off-the-grid power systems, that is, businesses with annual contracts whose available power is at least 5 000 kilovolt-amperes.</li> <li>For each of their projects, the businesses must show: <ul style="list-style-type: none"> <li>the project's technical and financial feasibility;</li> <li>its economic potential from the standpoint of productivity or increased output;</li> <li>the GHG intensity reduction potential, if applicable.</li> </ul> </li> <li>The application for eligibility that a business submits can combine several investment projects.</li> <li>The total planned investments in the application must reach the minimum investment threshold.</li> </ul> <p><b>Number of applications for eligibility per business</b></p> <ul style="list-style-type: none"> <li>No restrictions apply to businesses concerning the number of applications for eligibility, but each application must cover projects that: <ul style="list-style-type: none"> <li>include eligible investment expenses;</li> <li>will be carried out in the consumer's or the group's establishments, or in establishments where the steps in their main production take place;</li> <li>comply with the minimum investment threshold.</li> </ul> </li> </ul> <p><b>New businesses or new establishments</b></p> <ul style="list-style-type: none"> <li>In order to benefit from this measure, new businesses or new establishments must have entered into a power supply contract with Hydro-Québec, before January 1, 2024, to be billed at an off-the-grid power system for a block of available power of at least 5 000 kilovolt-amperes.</li> </ul>

<b>Rules governing concurrent government financial assistance</b>	<ul style="list-style-type: none"> <li>• Reduced electricity costs are granted independently of other forms of government assistance.</li> <li>• However, the discount does not apply to the rate options applicable pursuant to Hydro-Québec's electricity rates in its electricity distribution operations.</li> </ul>
<b>Eligible investments</b>	<p><b>Eligible investment expenses</b></p> <ul style="list-style-type: none"> <li>• For applications for eligibility submitted: <ul style="list-style-type: none"> <li>— <b>starting from January 1, 2021</b>, only the sums committed starting from January 1, 2021 and capitalized by December 31, 2025 are eligible.</li> <li>— <b>starting from January 1, 2022</b>, only the sums committed starting from January 1, 2022 and capitalized by December 31, 2025 are eligible.</li> <li>— <b>starting from January 1, 2023</b>, only the sums committed starting from January 1, 2023 and capitalized by December 31, 2025 are eligible.</li> </ul> </li> <li>• Eligible costs are expenses that give entitlement to a capital cost allowance.</li> </ul> <p><b>Ineligible expenses</b></p> <ul style="list-style-type: none"> <li>• Contingency funds</li> <li>• Maintenance of assets (current spending)</li> <li>• Auditor's reports on the investments completed</li> <li>• Verification reports on the GHG emission intensity reduction</li> <li>• Purchase of land</li> </ul>
<b>Recovery</b>	<ul style="list-style-type: none"> <li>• The government may recover overpayments if eligibility requirements are not met.</li> <li>• Where revised or revoked financial assistance must be recovered in whole or in part, the Minister will send the business concerned a recovery notice requiring payment by cheque or bank transfer of the amount due within 60 days, or providing for offset of this amount against any amount payable to the business by the Minister. <ul style="list-style-type: none"> <li>— In certain circumstances, the Minister may agree to a repayment agreement covering a period not exceeding that during which the financial assistance was granted.</li> </ul> </li> </ul>

<p><b>Application</b></p>	<ul style="list-style-type: none"> <li>• The period of application of the discount begins on January 1, 2019 and ends on December 31, 2032.</li> <li>• The discount applies as of the date of the bill sent the month after the verification of an audited report on capitalized costs conducted after the confirmation of the project's eligibility. <ul style="list-style-type: none"> <li>— For instance, a business filing an audited report in September will receive the discount on its November bill that covers its consumption for October.</li> </ul> </li> <li>• Subsequently, the other audited reports may be submitted when the business deems it appropriate. <ul style="list-style-type: none"> <li>— However, to benefit from the 96-month application period, the business must submit, before the expiry of the initial 48-month period, an audited report with eligible capitalized costs of \$250 million. Should the business fail to submit such a report, payment of financial assistance will be suspended as of the 49th month, until eligible capitalized costs of at least \$250 million have been the subject of such a report. Such suspension does not interrupt the period during which financial assistance is payable.</li> </ul> </li> <li>• If a business does not wish to initiate its discount on its due date, it is its responsibility to indicate the date of initiation of the discount when submitting an audited report.</li> <li>• The amount of the reduction in electricity costs will be calculated according to the investments made. The payment will be made continuously.</li> <li>• The reduction will be applied to the main component of the electricity bill. <ul style="list-style-type: none"> <li>— The other rate options linked to the level of consumption, in particular interruptible electricity and additional electricity, will not be considered.</li> </ul> </li> </ul> <p><b>Enhancement for GHG emission intensity reduction</b></p> <ul style="list-style-type: none"> <li>• The enhancement for GHG emission intensity reduction will be granted in the case of investment projects that permanently reduce GHG emission intensity. <ul style="list-style-type: none"> <li>— The enhancement will be equivalent to a maximum of 10% of the amount of eligible investments made for a 20% GHG emission intensity reduction.</li> <li>— It will be granted to businesses on a prorata basis of the GHG emission intensity reduction achieved for the project.</li> </ul> </li> <li>• The enhancement will be applied once the intensity reduction of the emissions of such gases is confirmed and following the expiry of the discount corresponding to 40% of the eligible costs incurred.</li> </ul>
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<b>Application</b>	<p><b>Maximum reduction of the electricity bill</b></p> <ul style="list-style-type: none"> <li>• The maximum reduction will correspond to 20% of an establishment's electricity bill.</li> <li>• If the amount of the eligible reimbursement for a given year exceeds the maximum reduction of 20%, the surplus may be carried over to subsequent years.</li> <li>• The business can choose the establishment to which the reduction will apply.</li> <li>• Hydro-Québec determines the establishments where the final portion of the financial assistance will be applied, unless the business advises otherwise.</li> </ul>
<b>Investment threshold</b>	<ul style="list-style-type: none"> <li>• The investment threshold corresponds to the lesser of: <ul style="list-style-type: none"> <li>— 40% of the annual cost of electricity for all of the businesses' establishments in which the available power for each one is at least 5 000 kilovolt-amperes;</li> <li>— \$40 million.</li> </ul> </li> <li>• The determination of the investment threshold will be based on billing for the 12 months preceding the application or the cost estimated by Hydro-Québec, for any new customer that has purchased electricity for less than 12 months. <ul style="list-style-type: none"> <li>— All of the establishments whose available power is at least 5 000 kilovolt-amperes will be considered.</li> </ul> </li> <li>• Businesses will be required to submit audited reports to the Ministère des Finances, no later than December 31, 2032, on the capitalized costs of projects covered by the same eligibility certificate that reach at least the investment threshold.</li> </ul>
<b>Audit of investments</b>	<ul style="list-style-type: none"> <li>• The businesses must submit, according to the timetable, an audited report on capitalized costs confirming the completion of the investments stipulated in their investment plans.</li> </ul>
<b>Verification of greenhouse gas emissions</b>	<ul style="list-style-type: none"> <li>• To be eligible for the enhancement, the business must declare GHG emissions before and after the project's completion. <ul style="list-style-type: none"> <li>— The Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs must verify the emission intensity reductions linked to the investment project.</li> </ul> </li> <li>• Greenhouse gas emissions will be calculated according to the methods defined in the <i>Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere</i>.</li> <li>• The terms and conditions relating to the declaration of greenhouse gas emissions may provide that the information provided by the business must be certified by a member of the Ordre des ingénieurs du Québec or that the business must consent that the information be verified on-site.</li> </ul>

<p><b>Transferability</b></p>	<ul style="list-style-type: none"> <li>• Upon the <b>complete transfer</b> of a business, the transferee business acquires the rights and assumes the obligations of the transferor business with respect to this program only from the time it submits to the Minister: <ul style="list-style-type: none"> <li>— proof of acquisition;</li> <li>— proof that the investment plan is being maintained;</li> <li>— the name of the new authorized representative for the applicant with proof that the applicant is authorized to make the application.</li> </ul> </li> <li>• Upon the <b>partial transfer</b> of a business: <ul style="list-style-type: none"> <li>— the transferring party must amend its requests in order to withdraw the projects not carried out at the time of the transfer in the transferred establishments and, if necessary, have its investment threshold reassessed;</li> <li>— the acquirer of the new entity may submit projects that meet the eligibility criteria in a new application.</li> </ul> </li> </ul>
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