

Rate Base Procurement (RBP)

Frequently Asked Questions (FAQ)

RE: CIB Royalty and Contribution Agreement

Released: April 1, 2022

Section	Question/Comment	Response
General	Is a Letter of Intent from the CIB required for the RBP RFP submission to receive additional points for Soft Commitment(s)?	We refer you to <i>Section 6.2.2.1 Soft Commitment(s)</i> of the RBP RFP, which does not require any conditional approval or other requirements from the CIB to consider the CIB financing as a Soft Commitment. To receive points for Soft Commitments, the Proponent must indicate in its submission that it intends to utilize the CIB financing product. The Proponents are expected to thoroughly review the Royalty and Contribution Agreement to ensure compliance with the CIB requirements.
General	When are discussions with the CIB expected to begin?	Per the RBP timeline released February 7, 2022 by CFR, the CIB expects discussions with Proponents to begin mid-August, following the selection of the final RBP Portfolio.
General	Are there any fees associated with the CIB Royalty?	The CIB does not charge any fees in connection with the CIB Royalty (i.e., upfront, commitment, etc.).
1.1 Definitions - Royalty Rate	What duration of P90 production forecast should be used for the calculation of Royalty Rate?	The CIB Royalty Rate will be determined on the basis of a 25-year P90 production forecast provided by the Proponents' resource assessment consultant.
1.1 Definitions - Royalty Rate	Will the CIB IRR be calculated on an annual cash flow basis?	CIB IRR will be calculated on an actual basis in which cash flows occur (monthly) using the XIRR function.
2.1 Contribution	Can the CIB fund less than 50% of capital costs?	While the Proponent is encouraged to maximize the CIB financing, the CIB will work with the Proponent, and if requested be willing to fund less than 50% of capital costs. The formulation of the CIB Royalty is expected to be accretive to projects.

3.2 Contribution Payment	What is the order of funding between the CIB contribution, senior debt and sponsor equity?	The CIB expects to fund in-line with senior funding, on a pro-rata basis (i.e., the 50:50 Contribution Ratio implies that the CIB and senior funded percentages to-date compared to their respective total commitments should equate). Equity will fund after CIB / senior debt. For clarity, the contribution ratio will remain consistent regardless of the project's capital structure.
4.1 Payment of Royalty	When will the CIB Royalty be terminated? Do Royalty Payments continue following the 25-year PPA with NSPI?	Subsequent to the end of the initial 25-year PPA term with NSPI, Royalty payments to the CIB will continue until the earlier of: <ul style="list-style-type: none"> (1) end of the operating life of the asset, (2) 40 years, or (3) when CIB IRR of 5% is reached.
4.1 Payment of Royalty	What happens if the CIB does not achieve an IRR of 5%?	The CIB does not have any minimum return requirements. Royalties received by the CIB pursuant to the Royalty and Contribution Agreement will determine the CIB's realized IRR, which is capped at 5%.
7.2 Senior Lender Independent Consultants	Will the CIB require Independent Consultants separate from that of the Senior Lenders?	As specified in Section 7.2 Senior Lender Independent Consultants of the CIB Royalty and Contribution Agreement, the CIB is comfortable relying on reports, certificates and other documents prepared by Independent Consultants engaged for the benefit of the Senior Lenders, to the extent the CIB can rely on the Independent Consultants' work in the same manner and to the same extent as the Senior Lenders. The CIB is of the view that its interests are aligned with those of Senior Lenders and there is benefit in working with Senior Lenders on engagement of Independent Consultants. The CIB may engage separate Independent Consultants to conduct additional due diligence, but the CIB will cover all costs associated with such engagements.
10.7 Reports & Information	Will the CIB require reporting obligations separate from that of the Senior Lenders?	Where possible, the CIB will seek to align with reporting requirements set out by Senior Lenders. However, please note that as a federal Crown corporation, the CIB may have additional reporting requirements not usually requested by Senior Lenders.