EMISSIONS REDUCTION ALBERTA

COST GUIDELINES

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1.0 Purpose

The purpose of the document is to provide guidance and instruction on expenses eligible for funding support from Emissions Reduction Alberta ("ERA")[1]("Eligible Expenses"). Stipulations within this document apply to costs included in the Project budget at the application stage (Expressions of Interest and Full Project Proposal), as well as to expenses incurred during the lifetime of the funded Project. ERA reserves the right to request additional information on any Project expense, at any time. This document is subject to periodic revisions; new versions will supersede older ones. ***It is the Proponent's responsibility to ensure they comply with the most recent version of this document which can be found at www.eralberta.ca.***

ERA will only reimburse Eligible Expenses and recognize matching contributions only for costs that are eligible and incremental to achieving the Project objectives. ERA will only reimburse Eligible Expenses that are incurred between the dates specified in the Contribution Agreement, normally no earlier than the deadline of Full Project Proposal submission. Any costs which are considered ineligible in accordance with these Cost Guidelines will not be included in the Project's total eligible costs.

The quality of a submission is determined in part by the transparency of Project expenses. Incomplete or incorrect information may delay review or negatively impact the Project claim.

All questions regarding these instructions should be directed to ERA by emailing applications@eralberta.ca.

[1] Emissions Reduction Alberta (ERA) is a legal trade name of the Climate Change and Emissions Management (CCEMC) Corporation.

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2.0 Summary of Eligible and Ineligible Expenses

Category	Eligible Expenses	Ineligible Expenses	Special Expenses Requiring ERA Approval
Labour	● Labour costs for those individuals specifically identified as working on the Project calculated from the individual's base salary ● Actual cost of employee benefits, up to 20% of base salary ● Costs associated with preparing ERA required reports	● Compensation for employees of the Government of Alberta, Provincial agencies, boards or commissions ● Performance-based compensation, and bonuses ● Tuition and membership fees ● Costs associated with negotiating funding agreements with ERA or to arrange Project financing ● Costs to hire personnel ● Costs to obtain regulatory approvals	● Work done by government funded labs
Equipment	● Purchase cost of Capital assets required for delivery of the Project	● Expenses incurred prior to eligible expense date in Contribution Agreement	● Costs for the use of existing capital assets
Materials and Supplies	● Consumables used during the Project period for the Project. ● Raw materials, tools, and software	● Subscriptions to magazines, journals, or other publications ● Product marketing costs that are not directly associated with the Project technology	● Expenses relating to the extension and publication of research

Consultants & Subconsultants	● Labour costs for those individuals specifically identified as working on the Project		
Travel	● Travel and attendance at relevant conferences to present on the Project (capped at $2,500 for domestic and $5,000 for international conferences) ● Reasonable fees and travel expenses of workshop presenters and Project team participants ● Reasonable out of pocket expenses as per the Government of Alberta's Travel, Meal and Hospitality Expenses Policy[1] ● Parking, Economy airfare, Taxi or Rideshare costs ● Vehicle rental or mileage for Project required travel	● Cancelation or change fees ● Tips and gratuities (included in per diem) ● Fines, traffic violations ● First class airfare, accommodation expenses above Government standard rates.	
Overhead	● Allocation of office space, IT, administration salaries, insurance, and utilities directly related to Project activities	● Overhead expenses exceeding 15% of Total Eligible Project Expenses ● Bank charges and bank fees or any type of expenses from normal operations not	● Land purchase or leasing costs

[1] Please reference the most current version of the Government of Alberta's Travel, Meal and Hospitality Expenses Policy found on the Government of Alberta's website.

		specifically related to the Project	
Other		● GST, PST, Tariffs, Foreign VAT and Sales Taxes ● Foreign currency differentials ● Expenses for patenting, licensing, or copywriting ● Entertainment	● GST for Not-for-Profit or charities ● Hospitality expenses related to events to disseminate Project results.

3.0 Funding and Expenses

ERA has the responsibility to steward public dollars for the benefit of Albertans. Accordingly, all expenses must be directly attributable to the Project and have incremental value to Alberta.

Directly Attributable: Project expenses must be directly related to the Project. The Project Proponent must be able to demonstrate the relationship between the expense and the Project and that all ERA funding is used only for Eligible Project Expenses.

Incremental Value: ERA funding must support incremental Project costs. Existing assets utilized by the Project may be included in total Project costs but are generally not eligible Project expenses. Any use of previously purchased assets as eligible Project expenses must be pre-approved by ERA.

3.1 Project Funding

ERA requires its funding to be matched on a minimum 1:1 basis with **private** funding from the applicant and/or Project partners. This means that for every $1 of ERA funding provided to a Project, there must be at least $1 of private funding from the applicant and/or partners. **Private funding does not include other federal, provincial, or international government funding provided directly for the proposed Project, and ERA will not match funding from those sources.**

Eligible Project funding includes both monetary and non-monetary contributions.

Monetary contributions are actual dollars paid towards the Project.

Non-monetary contributions are goods or services donated by a Project partner that would otherwise have to be purchased. The combined value of monetary and non-monetary contributions can count toward the amount the Project must contribute to match ERA's funding, provided they come from a private sector source.

However, ERA will not **reimburse** the funding recipient for the value of the non-monetary contribution (donation) because the recipient did not make a payment for it. ERA can only reimburse eligible, incremental costs that have actually been incurred and paid by the recipient.

Funding from post-secondary institutions may be eligible for matching, provided that the source of funds is not from the provincial government or other public funding. Funding provided by municipalities is generally eligible for ERA matching where the municipality can demonstrate that the funding is sourced from its own operational revenues (e.g. property taxes, user fees, permits, and fines) rather than provincial grants.

3.2 Project Expenses

Project Expenses represent the costs incurred to complete the Project and may include expenses incurred and paid by the funding recipient or by Project partners.

For an expense to be eligible for ERA reimbursement, it must meet ERA's eligibility requirements and be incurred and paid by the funding recipient. Expenses incurred and paid directly by a Project partner, or donated goods and services may form part of the total Project costs; however, they are not eligible for reimbursement by ERA.

ERA will reimburse up to 50% of **eligible** expenses incurred and paid by the funding recipient, subject to the funding terms established in the Contribution Agreement.

Project costs that do not meet ERA's eligibility requirements may still be captured to reflect the total cost of the Project. However, these costs are not eligible for ERA reimbursement.

4.0 Labour Cost Category

4.1 Salary and Labour Cost Guidance - Applicable to all organizations

Labour costs for employees of the Project Proponent or entities that are directly responsible for the delivery of the Project should be captured in the labour cost category (e.g. Project managers, financial managers, executive team, staff engineers, etc.).

For individuals working on Project activities:

- Only actual, direct salaries are eligible expenses.
- Salary rates supplied in the Project budget must equate to the individual's base salary rate only and the percentage of commitment to the Project should be explicitly shown.
- Rates submitted should be comparable to market/online benchmarks in Alberta. ERA reserves the right to decline excessive rates.
- Labour should be broken down by employee, hours, and rate.
- Performance based compensation such as commissions, bonuses, or performance pay are ineligible expenses.
- Labour expenses should be in line with the prevailing wage of the function being performed. ERA reserves the right to limit the eligibility of executive salaries if they are not commensurate with the work they will be performing on the Project or directly attributable to the outcomes of the Project.
- In cases where the Project Proponent specifies that Project team members are employed as a "Contractor" (e.g. their employee/employer relationship is governed by a contract), the rates charged by the employee to the Project are an Eligible Expense.

- If the contracted employee is paid via invoice, the contracted employee must document the hourly or daily rate charged and the number of hours or days worked on their invoice submitted to the Project.
- If the contracted employee is paid via payroll, the actual direct salary associated with the Project is an eligible cost.
- ERA reserves the right to limit the eligibility of any contractor expenses should they appear to be excessive or lack sufficient supporting documentation, including the overhead or benefit rates charged by the contractor.

- In cases where a research student is providing the labour, payment in the form of a bursary is an Eligible Expense provided it can be supported by detailed hourly or daily rates charged and the number of hours or days worked.
- When a member of C-suite (i.e. CEO, CTO) of a Project is performing engineering work, the eligible expense should be the amount that would be paid to an engineer for the Project, not the higher amount that would typically be paid to C-suite level. The rates used for calculating the eligible expense must be appropriately supported. This means that the Proponent should provide documentation or evidence to justify the rates applied for the engineering work. If C-suite level is performing tasks that would normally be done by an engineer, the expense claimed should reflect the standard engineering rate, not the C-suite salary. Proper documentation should be provided to support the engineering rate used.

4.2 Employee Benefits Expenses Guidance

Actual benefit expenses for employees, including Employment Insurance, Canada Pension Plan, medical, and vacation pay are eligible expenses to a limit of 20% of the employee's base salary. A breakdown is required to support (employer EI and CCP portion, vacation) the amount paid. **This 20% is a maximum limit, not a multiplier.**

For Project Proponents operating in countries outside of Canada, the 20% limit of base salary for employee benefits also applies to equivalent employee benefit expenses of other countries.

Example: Proponent has one full-time employee that is providing 1,000 hours to the Project each year for three years. Their annual base salary is $70,000 and the employer pays $5,000 annually for employee benefits. Assuming full-time work equals 2,080 hours per year, $33,653/year in base salary plus $2,403/year in benefits can be claimed each year during the Project term as eligible expenses.

4.3 Employees of Alberta Public Entities Guidance

Alberta public entities include Alberta government departments, post-secondary institutions, and other government-funded agencies.

- Compensation for full or part-time personnel employed by an Alberta public entity (including government of Alberta and Alberta agencies, boards, and commissions) performing work on the Project is not an eligible cost.
- Salaries of individuals hired temporarily to relieve full, or part-time personnel employed by an Alberta public entity of their regular duties, thereby allowing them more time for funded Project business, is an eligible cost (e.g. the cost of hiring a sessional instructor for course release may be classified as an eligible expense).

- Salary costs incurred for work performed by Government-funded labs may be considered an Eligible Expense with prior approval of ERA.

5.0 Equipment Cost Category

Generally, any equipment purchased for the purpose of carrying out the Project should be disclosed in the equipment cost category. For example, machinery, vehicles, motors, etc.

5.1 Capital Asset Purchases

Capital assets, such as property (excluding land), plant, and equipment (PPE) that are required for the delivery of the Project are eligible. All assets to be purchased must be itemized at the time of Project commencement and should be submitted to ERA for review during the contracting process. ERA will review the asset listing to determine reasonableness of cost and linkage to the Project. The useful life of the asset must be specified. ERA reserves the right to limit capital purchases at their discretion to meet ERA objectives. Capital assets should be supported by invoices which disclose the purchase price/cost of the asset.

6.0 Materials and Supplies Cost Category

Any materials and supplies purchased for the purpose of carrying out the Project should be disclosed in the materials and supplies cost category. For example, raw materials, hardware (small machine), tools or software. Materials and supplies used to carry out the Project work are eligible expenses. Any expenses to purchase materials or supplies for the Project should be indicated in the budget at the time of application. Expenditures in this category must be itemized at the time of Project commencement and should be submitted to ERA for review during the contracting process.

6.1 Consumables

Consumables (e.g. industrial gases, construction, or laboratory supplies) used during the course of the Project are Eligible Expenses but must be documented. These should be captured in the materials and supplies category.

6.2 Publications, Reports, Memberships and Tuition Fees

- Subscriptions to magazines, journals and other publications are not an Eligible Expense, nor are tuition fees and membership fees.

- Expenses incurred in preparing progress reports for ERA are considered to be a part of the Project and are therefore Eligible Expenses.
- Expenses incurred to prepare the Final Financial Report and Final Outcomes Report (Confidential and Non-Confidential) are eligible.
- Expenses for extension and publication of research results may be considered eligible if prior written approval is obtained from ERA.

7.0 Consulting/Sub-Contractor Cost Category

It is recommended that labour costs of consultant/sub-contractors supporting aspects of the Project delivery be captured in the contractor/sub-contractor cost category (e.g., third party consulting engineers, surveyors, machine/equipment operators, etc.).

- The rates charged by the consultant/sub-contractor doing work directly related to the Project are an Eligible Expense. These rates should be according to market/online benchmarks.
- The consultant/sub-contractor must document the hourly or daily rate charged, the number of hours or days worked, and tasks completed on their invoice submitted to the Project.
- ERA reserves the right to limit any consultant/sub-contractor payments should they appear to be excessive or lack sufficient supporting documentation.

Costs associated with hiring "Engineering, Procurement and Construction" (EPC) contractors should be captured in the consulting/sub-consulting category. All invoices from the EPC should detail hours/rates/ tasks that can be directly tied to the Project.
A Special note on Innotech Alberta: *Costs paid to Innotech Alberta are eligible, provided they are treated as a cost recovery from lab/consulting fees for services provided by the Innotech Lab and its employees.*

7.1 Costs of GHG Verification

Any costs related to third party verification of GHG emission reductions as required by ERA are an Eligible Expense.

8.0 Travel Cost Category

The following travel policies apply on all Project related travel. Any exceptions to the policies described below must be approved in advance and in writing by ERA. All Project Proponents claiming travel expenses must maintain detailed, comprehensive travel records for review by ERA.

Travel expenses should be tied to approved Project activities and supported by purpose (site visit, conference, Project work or field activity) and evidence. They should be necessary for Project execution. Flight, hotels and meals should be tied to the same trip and purpose, and cost must align with *Government of Alberta's Travel, Meal and Hospitality Expenses Policy* that can be found on the Government of Alberta's website.

8.1 Attendance at Conferences

ERA may support expenses for up to one conference per year, **up to a maximum of three (3) per Project**. The maximum eligible expense for each conference is $2,500 ($5,000 for international conferences), inclusive of all travel expenditures and registration fees. For clarity, this is the maximum eligible expense **per conference** not per person. Any expenditures in excess of this amount are ineligible for reimbursement by ERA.
The Project Proponent should clearly justify to ERA of why attendance is required to advance the ERA-funded Project.

If the conference has paid for any expenses related to travel, then the Project Proponent cannot also claim these amounts from ERA. Conference details and location must be documented in the budget at the time of application or reviewed by the Project Steering Committee and approved by ERA. A summary report of conference findings or results should be provided to ERA through milestone reporting.

8.2 Workshop Participation

Some Projects may hold workshops attended by subject-matter experts from organizations other than the Project Proponent's organization, who will provide input into the Project. Travel expenses and daily charge-out rates for the presenters or participants at these workshops are Eligible Expenses, provided that the individuals are listed as team members in the Project work plan, or their participation is approved by the Project Advisor. Travel rates are discussed in their own section of this document.

ERA reserves the right to limit expenses for workshops and conferences to an aggregate maximum if they appear excessive or lack sufficient justification.

8.3 Air Travel

Only economy airfares are eligible. Premium economy, upgraded seats, extra legroom, unnecessary baggage upgrades, and other add-ons are not eligible unless specifically approved. Invoices should be retained to confirm the fare class and amount. Change and cancellation fees are not eligible. Project Proponents are not authorized to fly or charter private or personally rented aircraft on Project business unless authorized by ERA. This includes international travel.

ERA reserves the right to limit expenses for air travel if they appear excessive or lack sufficient justification.

8.4 Other Travel Expenses (Meals, Accommodation, Parking etc.)

Reasonable out-of-pocket expenses incurred while performing work directly related to the approved ERA Project are Eligible Expenses, if they are consistent with the *Government of Alberta's Travel, Meal and Hospitality Expenses Policy* that can be found on the Government of Alberta's website. Further:

- All expenses are to be supported by receipts and all travel expenses incurred must be consistent with the Project work plan and budget schedules.
- Travel expenses received at public expense or without charge may not be claimed.
- Meals should be expensed on a per diem basis and are subject to GoA maximum amounts. Project Proponents should retain receipts for supporting documentation of the claim;
- Tips and gratuities are ineligible as they are included in the per diem amount.
- Per Diem expenses are not eligible if they are not associated with approved travel.
- Accommodation expenses should be reasonable and supported by invoices. Suites or upgraded rooms are not eligible.
- Project Proponents are responsible for canceling hotel reservations in time to avoid "no show" charges, therefore "no show" and cancellation expenses are not eligible.

ERA reserves the right to limit expenses for travel if they appear excessive or lack sufficient justification.

8.5 Vehicle Travel

For all Project Proponents and all types of vehicles, toll charges for travel on approved Project business are eligible.

Parking fines, traffic violation fines (including photo radar), and impoundment/ towing fees when driving a company, leased, rented or personal vehicle on approved Project business are not eligible.

8.6 Vehicle Particulars

Private owned vehicle allowance: The private owned vehicle allowance ("Vehicle Allowance") is intended to cover the gas and maintenance expenses associated with operating a personal while traveling on Project business. The Vehicle Allowance does not apply when using a rental or leased vehicle. Project Proponents authorized to use their own vehicles in the performance of their Project related duties may charge up to the amount per km stipulated in *Government of Alberta's Travel, Meal and Hospitality Expenses Policy* to the Project. **Details on the location traveled from/to and the purpose of the trip should be included in the mileage expense claims.**

The Vehicle Allowance is an Eligible Expense for privately owned vehicles driven to a departure location (i.e. airport or train terminal) and picked up upon return. When travel mileage exceeds the cost of a vehicle rental, the person traveling should travel by rental vehicle.

8.7 Parking

Where vehicles are used for approved Project business, only reasonable receipted parking charges may be claimed as Eligible Expenses for both private and rented vehicles.

8.8 Vehicle Insurance

Project Proponents are responsible for obtaining adequate insurance coverage for using their private vehicle for business purposes. Adequate coverage shall be determined before a privately-owned vehicle is used for ERA funded Project business.

8.9 Vehicle Rentals

Proponents are required to use rental vehicles where they represent a lower-cost alternative to the use of private vehicles. Proponents must ensure that adequate insurance coverage is in place when using rental vehicles. Proponents must obtain a competitive rate for vehicle rentals; only compact or midsized vehicle rates are Eligible Expense, subject to usage requirements, as defined in the funded Project proposal and work plan.

8.10 Taxi or Rideshare Charges

Claims for taxis or rideshares while traveling on Project business will be reimbursed at cost when other more economical means of transportation are either unavailable or unsuitable. **Details on the location traveled from/to and the purpose of the trip should be included in the taxi expense claims.**

9.0 Overhead Cost Category

Company overhead expenses that are directly related to the Project may be eligible. For greater clarity, examples of normal company overhead expenses may include, but are not limited to, the following:

- Administrative salaries for project-related activities
- Office supplies related to the Project
- Information Technology costs directly related to the Project
- Insurance costs directly related to the Project (pro-rate to Project activities and assets)
- Utilities (pro-rate to Project activities)
- Space rental for Project activities

These expenses must be sufficiently described, itemized, and shown separately in the Project budget, Project expense listings and invoices must be retained as supporting documentation. Overhead expenses must be supported by a consistent and reasonable *allocation methodology** and there must also be a clear line-of-sight from these costs directly related to the Project being funded and not expenses from organizational operations expenses such as banking fees.

***Allocation methodology** means the method used to calculate the portion of a shared overhead cost that applies to the Project. The method should be reasonable, consistent, and supported by documentation.

Examples of allocation methodology include: percentage of facility or office space used for Project activities or percentage of staff hours allocated to the Project compared to total staff hours.

Justification for overhead expenses is required, as is any allocation methodology used to charge a portion of these expenses to the Project; 100% allocation requires approval by ERA. In the case of Post-Secondary Institutions and certain government agencies, evidence of an approved overhead policy including an allocation methodology must be available to support standard overhead allocations. In all instances, ERA reserves the right to limit any overhead payments should they appear to be excessive or lack sufficient supporting documentation. The maximum amount of overhead eligible for reimbursement shall not exceed 15% of Total Eligible Project Expenses. It should be noted that costs associated with negotiating funding agreements with ERA are not considered Eligible Expenses. The overhead costs charged must be properly supported by third party supporting documents, and reasonable methodology.

9.1 Legal expenses

- Normal legal expenses incurred to negotiate procurement or supply contracts as required to execute the Project scope and work plan would be eligible and should be included in the overhead category.
- No other legal costs are eligible including costs associated with negotiating the Contribution Agreement and Project financing.

10.0 Other Ineligible Costs

10.1 Hiring of Personnel

Expenses for advertising, travel, or other expenses associated with hiring new personnel for the Project are not eligible.

10.2 Regulatory Approval

Any costs incurred to obtain approval from any regulatory body to commence, execute or complete a Project are not eligible.

10.3 Land

Purchase of land or costs associated with leasing land are not an Eligible Expense unless otherwise approved by ERA.

10.4 Marketing

Product marketing is not an Eligible Expense unless otherwise approved by ERA. Costs for any business development activities related to pursuing commercial sales of products are not eligible as Project costs.

10.5 Entertainment

Expenses planned or incurred for entertainment are not eligible. Hospitality expenses related to workshops and seminars designed to disseminate Project results as outlined in the Project scope and workplan are eligible, with pre-approval from ERA. Please consult the Project Advisor for information in these cases.

10.6 Protection of Intellectual Property

Expenses associated with protecting a Project's results, e.g. patenting, licensing, copyrighting, etc., are not eligible.

10.7 GST and PST

GST and Provincial Sales Tax (PST) expenses are not eligible. In the event the Proponent is a public institution, qualifying as a not-for-profit organization or a registered charity, they may request approval from ERA to reimburse the portion of Project related GST costs not eligible for rebate. This does not apply to provincial sales tax or foreign sales tax amounts.

11.0 Other Items

11.1 Foreign Currency Risk

ERA does not accept any foreign currency risk. Any Project cost or funding changes because of foreign currency fluctuations are to be borne solely by the Project Proponent. Any Project Proponent operating in a foreign jurisdiction must make appropriate provisions to manage the risk of foreign currency

fluctuations during the Project period. Foreign currency transactions should be converted to Canadian dollars using the exchange rate (mid-market exchange rate excluding bid-ask spread) applicable at the transaction date (preferrable) or the monthly average exchange rate from the Bank of Canada. Conversion using the exchange rate on the day of report submission to ERA will not be acceptable