

## First Interim Evaluation of NextGen Biofuels Fund™ - Nov 2012.

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### Overall Management Response

The NGBF Funding Agreement sets out an Evaluation Framework that is used by the Foundation for the monitoring of Funded Projects and the interim and final evaluations for assessing the Foundation's performance in achieving its purpose and objectives. The framework is consistent with generally accepted evaluation standards and review; fund rationale, expected results, steps taken to achieve expected results, specific objectives, interim objectives, strategies, performance indicators, and measurement strategies. The Foundation agrees to make public, including posting on the Foundation's website and forward to Canada three interim evaluations to be carried out by an independent third party by November 30, 2012, November 30, 2017 and November 30, 2022.

The First Interim Evaluation Report evaluation of the NextGen Biofuels Fund™ was executed to a project plan reviewed by an advisory panel made up of representatives from the two oversight departments, Natural Resources Canada and Environment Canada. It has now been completed and reviewed by the Foundation's management and approved by the Board of Directors. The First Interim Evaluation Report conducted personal interviews with proponents, project teams, government officials, investment specialists and sector-wide experts. The Foundation's management is pleased with the overall progress and performance as highlighted by the First Interim Report: The Foundation will respond to the findings by making the adjustments consistent with (the Funding) Agreement that it considers necessary and make these adjustments known to Canada".

#### The relevance of the fund is confirmed:

- The need for the fund is "unquestioned among all key informants".
- Unanimous agreement there will be no first-of-kind NextGen projects without the fund.
- The need for the NGBF™ is now greater due to equity and debt markets being more risk adverse due to broader economic uncertainty.
- The renewable Fuels Strategy remains the Government's policy.
- The fund does not overlap with other provincial or federal government initiatives.

#### The performance of the fund is acknowledged:

- The stage gate process for project management and commitment of the fund is accepted as best in class.
- The Fund is supporting a diversity of Technologies to mitigate risk.
- The Foundation receives "high marks" for working with applicants and stakeholders to develop opportunities wisely and build recognition of Canada's leadership in this arena.

#### Achievements and Expected Outcomes are recognized:

- The NGBF Fund™ is well known in the Biofuels community with high visibility. However, it "appears the fund has made no progress to the casual observer".
- Early year's progress was slow in all jurisdictions due to the industry over-promising and under-delivering as well as being impacted by the financial crisis.
- NGBF™ is heading towards the potential for full commitment, with 4 projects in 2012 receiving Board approval for funding and for the Foundation to participate in early stage development work. Currently there are at least 3 more consortia undertaking fund eligibility discussions with the Foundation and likely more to follow.
- "These early fund developments represent \$2.7 million and if these 4 projects receive a final positive investment decision would represent \$321 million of NGBF Funding™"

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- Progress compares most favourably to the USA DOE Bio-refinery Program in both the Fund processes and the level of technology and economic readiness.
- The cost Benefit study with very conservative assumptions estimates a \$218 million benefit to society that increases to \$1.4 billion with expected follow-on projects which is impressive considering the early stage of the Funds execution.
- The Fund is still performing within the operating framework defined in the Funding Agreement and hence has the ability to allocate, commit and disperse funds according to the defined schedule.

The independent third party evaluator concludes that The NextGen BioFuel Fund™ is effectively delivering on its mandate, is relevant, aligned with government policy, is well administered and on course to produce a substantial net benefit to Canada. The Foundation's Management further acknowledges the recommendations for improvement and is currently engaged with key stakeholders, including government departments to action.

### Management Response

Recommendation	Management Response	Responsible Official / Target Date
<p>Work to improve information sharing between departments and the Fund. Departments note that the arm's length relationship of the Fund means the department suffers from a lack of information about the biofuels sector. Government departments could benefit from the detailed understanding of the biofuels sector that the NGBF has developed. We suggest the departments and the Fund should work toward a more open relationship that would allow departments to draw upon the Fund's unequalled expertise in biofuels. For example, the departments could invite the Fund to provide input on questions that arise about the sector, perhaps invite the Fund to participate, as a resource, in policy discussions that include consideration of the biofuels sector.</p>	<p>The Foundation accepts this recommendation.</p> <p>While the Foundations continue to operate monthly meetings with all Government stakeholders and periodic meetings with the Biofuels team at Natural Resources Canada it accepts that a more frequent interchange with the department would be valuable. At these meetings a more two-way communication is desirable, as would be a greater inclusion of relevant departments e.g. Agriculture and Agri-Food Canada.</p> <p>The Foundation will make itself available to participate, as a resource, in policy discussions that include consideration of the biofuels sector.</p>	<p><b>CEO/COO December 2012</b></p>
<p>Address proponents' concerns about possible delays in decisions by the Fund at stage gates. The concern is largely hypothetical, but addressing it at this stage would remove it from consideration.</p>	<p>The Foundation accepts this recommendation, However it should be recognized that the current practice allows applicants to register at anytime and to date has shown no delays due to the foundations activities.</p> <p>Regardless, a communications plan to address this concern will be developed and included in the Foundations stage gate</p>	<p><b>COO March 2013</b></p>

	process.	
<p>Consider approaches that could provide proponents with more clarity about the repayment conditions and earlier confirmation of the amount of support that will be provided by the Fund if the project passes its FID. Both these factors must be taken into consideration in the planning and approval process but under current approaches, the arrangements are not finalized until the project is at FID.</p>	<p>The Foundation accepts this recommendation. However it is observed that the definitions for repayments are clearly defined in the Funding agreement. The specificities of when a project is in a position to make repayments and the amount of these payments are project specific and cannot be determined until all project parameters are locked down. Therefore full certainty is not possible at the stage current applicants are operating.</p> <p>Regardless, a communications plan to address this concern will be developed and included in the Foundations stage gate process</p>	<p><b>COO/ Senior Management March 2013</b></p>
<p>Consider ways of addressing the lack of awareness or understanding of its progress.</p>	<p>This observation is not about the broad awareness and support that exists for the NGBF™ across the relevant industry sectors. The comment pertains to all the work that has been undertaken by the Foundation that is not reflected within Government. Therefore the Foundation sees this recommendation as one that has shared accountability with the Government and welcomes suggestions on how the larger Government community can be informed.</p>	<p><b>CEO / COO Date TBD</b></p>