

*Nitric Acid Climate Action Group*  
(NACAG)

**Grant Application Notice**

**NACAG Support Facility**

(Request for Grant Application)

**Context**

Nitric acid is an important raw material in the chemical industry, especially for fertiliser manufacture. However, the production of nitric acid releases nitrous oxide (N<sub>2</sub>O) into the atmosphere. N<sub>2</sub>O is a greenhouse gas (GHG) that is 265 times more harmful to the climate than CO<sub>2</sub>.

There are several cost-efficient technical solutions to lower N<sub>2</sub>O emissions in the nitric acid production to almost zero, at low single-digit EUR costs per tonne of CO<sub>2</sub>-equivalent.

While a number of countries – including all European Union member states following the entry of the third phase of the bloc's emissions trading scheme ("EU ETS") – have used carbon market tools to facilitate the implementation of controls of N<sub>2</sub>O in the production process, most countries have not yet addressed the issue. For several years, the international carbon markets – built, in particular, around the UN-sponsored [Clean Development Mechanism](#) ("CDM") – offered incentives for voluntary technological upgrades targeting mainly manufacturers in developing countries. However, the steep fall in the CDM market value put an end to this global stimulus.

The Nitric Acid Climate Action Group ("NACAG") is an initiative providing new incentives for the installation of effective N<sub>2</sub>O abatement technology in nitric acid plants worldwide. To achieve its vision – for the N<sub>2</sub>O emissions of an entire industrial sector to be mitigated on a global scale – it works with governments to adopt an ambitious long-term N<sub>2</sub>O mitigation policy linked to the process of Nationally Determined Contributions ("NDCs") within the framework of the Paris Agreement.

At the nitric acid plant operator level, NACAG provides direct technical and financial support for installations in a wide range of developing partner countries.

**NACAG Support Facility**

To that aim, NACAG offers N<sub>2</sub>O installations from countries eligible for official development assistance (ODA) and in need of financial support tailor-made technical advice for N<sub>2</sub>O control options in their production process (including feasibility and technical evaluation), expert implementation assistance and financial grants of up to 100% of capital and related costs for the implementation of the best-suited technological solution. For details on the supported services and technologies see below on "Eligible activities".

The Grant Application Programme (the "Programme") is now open. Final deadline for the submission of grant applications is 31 December 2018. The Programme supports activities and covers costs until the end of 2020 or – for limited items – 2021.

Where the Programme is oversubscribed, applications will be considered in the order of their submission, to the limit of the logistical support and grant funds available.

**Assessment Process**

GIZ will act as grant managing and contracting authority. It is committed to ensuring that the process for assessing applications under the NACAG Support Facility is fair, transparent, and in accordance with the [Green Climate Fund Performance Indicators](#).

There are six steps in the application process:

- A. Submission of grant application (application form is provided in Annex A);
- B. Eligibility check (according to eligibility criteria);
- C. Due diligence assessment and, if positive, intervention advice and invitation to submit a grant proposal;
- D. Submission of a grant proposal (with maximum budget);
- E. Decision on grant award;
- F. Execution of grant agreement (with description of specific measures funded).

Applicants that have submitted a grant application will be informed on the completion of each of the six steps. Please read the eligibility criteria carefully before submitting a grant application. Eligible grant applications (Stage B) qualify for a due diligence assessment. If the due diligence assessment concludes positively (Stage C), GIZ will advise on concrete technology options (intervention advice), and applicants may, on that basis, present their grant proposal (Stage D). The host country must support the application with a statement of undertaking (see below), in the absence of which GIZ will not adopt a grant award decision (Stage E). A grant agreement can only be signed (Stage E) following a grant award.

GIZ will examine all grant applications submitted by 31 December 2018 subject to capacity and available budget under the NACAG Support Facility.

Costs incurred by the applicants as part of the application process are not reimbursable. All such costs will be borne by the applicants. This Grant Application Notice is in no way binding on GIZ or any other NACAG stakeholder. GIZ's contractual obligations commence only upon signature of a contract following the grant award. Applicants must not realize any portions of the eligible activities prior to contract execution. Prior to contract execution, GIZ may cancel the Programme without the applicants being entitled to claim any compensation. In the event the Programme is cancelled, all applicants from whom grant applications have been received will be notified by GIZ by electronic mail.

## **Eligibility Criteria**

### **1. Eligible countries**

The N<sub>2</sub>O installation for which a grant application is submitted must be located in a country eligible for official development assistance (ODA). However, a country's ODA eligibility does not automatically qualify for eligibility under the Programme.

### **2. Eligible organisations**

Applicant organisations must be legal entities. They can be fully or partly public or private bodies. Private bodies must be properly constituted, present and operational in the country or region covered. Both for-profit and not-for-profit entities are deemed eligible.

Applicant organisation must operate a nitric acid production installation, exercise effective control over it, or hold decisive economic power over the technical functioning of the installation, in accordance with national legislation.

### **3. Eligible activities**

The activities eligible for funding from the NACAG Support Facility are the following:

- Purchase, shipping, installation and maintenance of a technical device or technology that either removes N<sub>2</sub>O (i) through the installation of a secondary N<sub>2</sub>O destruction catalyst in the oxidation reactor ("secondary abatement"), or (ii) from the tail gas through either thermal or catalytic decomposition ("tertiary abatement"), in accordance with methodological guidance established under the "CDM", namely CDM methodology ACM0019: N<sub>2</sub>O abatement from nitric acid production (in its most recent version);<sup>1</sup>
- Purchase, shipping, installation and maintenance of monitoring equipment; as well as

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<sup>1</sup> Current version is 2.0. ACM0019 has consolidated earlier methodologies, namely AM0028 and AM0034. In case an applicant has registered its installation following an earlier methodology and provided the installation is otherwise eligible for funding, compliance with the earlier methodology will be deemed acceptable, as long as it is CDM-compatible.

- Annualized gross staff costs for environmental management (including support to CDM project development and other NACAG activities).

Furthermore, GIZ will directly manage and pay for:

- CDM project development costs<sup>2</sup>;
- External project validation and verification;
- Registration costs and certificate issuance fees.

#### **4. Exclusion Criteria**

Applicants will be excluded from participating in the call if they are in any of the following situations:

- the installation has previously received successful registration status under the Clean Development Mechanism (CDM) or Joint Implementation (JI) and has submitted at least one (1) monitoring report for project verification;
- the installation for which the application is submitted supplies the production of or producers of weapons or ammunition;
- they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into a debt settlement arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- their permit to operate the installation is presently revoked or suspended or has been revoked or suspended during the period of three (3) years preceding the grant application, or they have been fined or entered a settlement during that period, or such enforcement and/or settlement proceedings are pending, for violation of elementary health and/or environmental safety standards;
- they or persons having powers of representation, decision-making or control over them have been the subject of a judgment which has the force of res judicata for fraud, corruption, professional misconduct, involvement in a criminal organisation, money laundering or any other illegal activity.

When submitting the grant application, applicants must make a declaration of honour as per Annex B. As part of the grant agreement, applicants must further make a declaration on climatic benefits as per Annex C.

#### **Due diligence assessment**

During the due diligence assessment, GIZ will verify the technical, legal, financial and operational capacity of applicants as well as the existence of environmental, social, health and gender safeguards and sufficient policy guarantees. GIZ has full discretion as to the details and the results of the assessment. The assessment is planned in two phases. Phase (1) consists of a desk review of certain key documents and other information as requested from and provided by the applicant (including the declaration of honour). Phase (2) will only be triggered if Phase (1) proves successful and once the policy guarantee, as described below, has been given or has well advanced. It consists of an in-depth due diligence assessment, which is supported by a site-visit. The principles applied and conclusions made during the due diligence process are at the full and absolute discretion of GIZ.

##### **1. Legal capacity**

Legal due diligence is an integral part of the preparation of a measure for funding. It includes a review of the applicant's corporate documents and material contracts impacting the measure; domestic, EU and international law requirements; as well as key licenses and permits, and an installation's insurance status.

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<sup>2</sup> In case CDM is not available in a country, alternative certification standards such as the Verified Carbon Standard ( "VCS" ) may be used.

## **2. Financial capacity**

Each applicant must have stable and sufficient sources of funding to maintain their activities throughout the contractual period, and will need to demonstrate credibly that they have the necessary financial resources. Applicants also need to demonstrate that they follow international accounting and audit standards, and that they have core financial management expertise to implement the measure.

## **3. Operational capacity**

Applicants must have the professional competencies as well as appropriate qualifications to implement all proposed activities. This entails that they must be able to implement the activities described in the Grant Application Notice and fulfil the requirements for organisation, procurement, and staffing. GIZ will exclude organisations from the Programme if they do not fully or only partly fulfil these criteria or if no sufficient evidence has been provided that they do. Applicants must be directly responsible for the preparation, management and implementation of the funded activities, not acting as an intermediary for other organisations.

## **4. Safeguards**

Nitric acid is an extremely corrosive acid capable of causing severe chemical burns very rapidly. Strict exposure controls must be put in place to secure safe handling and to minimize risks to the environment. Applicants must show that robust industry safeguards are met.

Furthermore, applicants must demonstrate that the implementation of the measure will not, or is not likely to, provoke a violation of GIZ's requirements concerning environmental, social, health and gender ("ESHG") aspects, and instead will respect and further GIZ's ESHG principles and goals.

### **Policy guarantees**

A formal statement of undertaking by the government of the country that hosts the nitric acid production plant in question will be considered a condition precedent for any grant agreement. In this document, the government must commit to ensuring that from 1 January 2021, all domestic nitric acid production installations located in the country – whether existing or new and whether owned or operated by public or private entities – be continuously equipped with state-of-the-art technology to effectively remove N<sub>2</sub>O emissions from their production cycles and that adequate and comprehensive monitoring and reporting of N<sub>2</sub>O emissions at all Installations be established, so as to permanently achieve an optimum in emission mitigation results in the nitric acid production sector.

### **Grant agreement award and contractual implementation**

Grant agreements will be concluded on the basis of the GIZ Grant Agreement model. They are at expenditure-basis and require in all cases above a value of 1000, - EUR the submission of receipts (with translation if the original is not in either German, English, French or Spanish). Expenditures will be audited annually by an independent accountant. Within an absolute limit set by the grant award, they will cover up to 100% of the activities and cost items approved, with 10% of the grant value being retained (the retainer will be released as soon as all obligations by the Recipient arising from the agreement, in particular those regarding the evidence of use of the funds for the purpose stipulated and the reporting, have been met). Applicants/beneficiaries must demonstrate, and regularly report on, the efficient use of resources, while following a 'best value for money' approach in its own operations and in those supplied by third parties. Third party suppliers above certain threshold amounts must be selected through open tender in accordance with fair, transparent and pre-defined award procedures. The technology solution is to be contracted jointly with the monitoring equipment and the terms of reference must follow a template

prepared by GIZ. Grants must not give rise to profits for the applicants/beneficiaries nor any affiliated entity, and all grant proceeds must be held in a separate bank sub-account. GIZ must be kept informed on each of the relevant procurement steps, including the solicitation of offers, their evaluation, and their award. Procurement details on process and content will be set out in the Grant Agreement. It is understood that GIZ is under no obligation to review any procurement case and that it shall not be held responsible for any procurement decision, including an award decision, whether or not it has reviewed all or parts of any particular procurement case. At any time prior to the award, GIZ may request a rerun of the procurement process.

Other than provide funding for the technological update and staff expenditures, GIZ will provide services and know-how to allow for validation and registration of the funded activities with the CDM (or the VCS) as well as for verification. Applicants/beneficiaries are expected to ensure continuous monitoring.

Grant payments will either be disbursed directly to third-party providers or will be made to the applicants/beneficiaries (i) following the submission of invoices and/or receipts by any duly selected third party supplier, or (ii) in the case of the applicant's/beneficiary's staffing expenditures, quarterly intervals. Technical purchase and installation works must be procured swiftly and fully implemented within two (2) years of contract execution or else awarded funds will be lost. Grant beneficiaries, in this case, may be required to compensate for funds that have already been disbursed.

Carbon credits generated as a result of the measure shall either be transferred to a dedicated account or directly cancelled, depending on the instructions given by GIZ. Applicants/beneficiaries must undertake certain commitments concerning future claims to GHG emission reductions and/or other climatic benefits (see Annex C).

### **Next Steps**

To initiate the application process, applicants are requested to submit their Grant Application Notice to the following email address:

[contact@nitricacidaction.org](mailto:contact@nitricacidaction.org)

Applicants must use the Grant Application Notice Form (Annex A) and send it, once completed and signed by the installation's legal representative, as an email attachment and in portable document format (PDF). The email should be sent with the following subject line: "NACAG Support Facility". Either English, French or Spanish may be used to submit the grant application. The grant agreement will be concluded in English only.

**Annex A:**  
**Grant Application Form**

**Application NACAG Finance Facility**

*for the installation of N<sub>2</sub>O abatement technology in your nitric acid production facility  
(Grant Application Notice of \_\_\_\_\_)*

|  |                                       |  |
|--|---------------------------------------|--|
| <b>Name of the applicant ("Applicant")</b>   |                                       |  |
| <b>Full contact information</b>  |                                       |  |
| <b>Legal form of Applicant (include registry information)</b>  |                                       |  |
| <b>Please specify the address of the nitric acid production facility (-ies) that you seek support for (use one form for each facility).</b>                                |                                       |  |
| <b>Do you own and/or operate other nitric acid production facility/-ies (outside those for which support is sought)? (Mark appropriate box.)</b>                           |                                       |  |
| <b>Explain ownership and operational status of all facilities (start with those for which support is sought):</b>  |                                       |  |
| <b>In which country/-ies is/are the nitric acid production facility/-ies located? (Start with those for which support is sought.)</b>                                      |                                       |  |
| <b>The following questions concern the facility (-ies) only, for which support is sought. Please use one form per facility:</b>  |                                       |  |
| <b>Please specify (a) the installed capacity, (b) the operating pressure, and (c) the average nitric acid production rate (during the last three years, if available).</b> | Installed Capacity:                   |  |
|  | Operating Pressure:                   |  |
|  | Average Production Rate:              |  |
| <b>As nitric acid producer, are you under legal obligation to install and apply: (mark appropriate box/es)</b>   | N <sub>2</sub> O abatement technology |  |
|  | NOx abatement technology              |  |
| <b>If yes, please specify:</b>   |                                       |  |
| <b>Has/Have your installation(s) ever been equipped with: (mark appropriate box/es)</b>  | N <sub>2</sub> O abatement technology |  |
|  | NOx abatement technology              |  |
| <b>If yes, please specify:</b>   |                                       |  |

|   |   |
|---|---|
| Does any kind of supporting programme exist in your country which promotes the abatement of N <sub>2</sub> O or NO <sub>x</sub> emissions from nitric acid plants? <i>(Mark appropriate box.)</i> |   |
| If yes, please specify:   |   |
| Do you process the nitric acid produced and/or any of its derivatives in one or more countries of the EU? Do you supply manufacturers or distributors in the EU? <i>(Mark appropriate box.)</i>   |   |
| Is the installation or is your firm partially owned by any undertaking incorporated or active in the EU? <i>(Mark appropriate box.)</i>   |   |
| Does the nitric acid and derivatives produced supply  | Synthetic fertilizer industry                                     |
|   | Production of explosives  |
|   | Other   |
| If the nitric acid produced is used for explosive production (whether fully or partially), indicate whether:  | Explosives are partly or fully used for weapons and/or ammunition |
|   | For civilian usage only   |
| Is your facility registered, or was it at any time, under the Clean Development Mechanism (CDM) or any other carbon standard (specify)? <i>(Mark appropriate box and specify, where needed.)</i>  | CDM   |
|   | Other (please specify):   |
| If yes, has a first monitoring report been submitted to the CDM or another standard? <i>(Mark appropriate box.)</i>   |   |
| I have attached the Declaration of Honour to this application (Annex B).  |   |

I undersigned \_\_\_\_\_, certify that I am the designated legal representative of \_\_\_\_\_, that the information provided is true and accurate to the best of my knowledge, and I am aware of the fact that I will be held responsible for providing false information.

I understand and accept that any false and inaccurate information may result in the immediate exclusion from the application process.

Name:

Position:

Signature:

Stamp of the Applicant:

Date:



## Annex B:

### Declaration of Honor

The undersigned, duly authorized by the applicant ("**Applicant**"), declares that:

- In case the installation has previously obtained registration status under the Clean Development Mechanism (CDM) or Joint Implementation (JI), no monitoring report for verification of generated emission reductions (request for issuance) has been submitted;
- the installation, for which the application is submitted, does not supply any producers of weapons or ammunition, whether directly or indirectly;
- the installation, for which the application is submitted, is equipped with robust safeguards to protect the health and safety of workers, residents, and the environment;
- their permit to operate the installation is not presently revoked or suspended and/or has not been revoked or suspended during the period of three (3) years preceding the grant application, and that they have not been fined or entered a settlement during that period, and that such enforcement and/or settlement proceedings are not pending, for violation of elementary health and/or environmental safety standards;
- the Applicant is not bankrupt or being wound up, is not having their affairs administered by the courts, has not entered into an arrangement with creditors, has not suspended business activities, has not become the subject of proceedings concerning those matters, or would be deemed in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- the Applicant or persons having powers of representation, decision-making or control over the Applicant, a managing director or any person in a key senior position working for the Application have not been convicted of an offence concerning their professional conduct or else been the subject of a judgment, which has the force of res judicata, for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity.
- the Applicant has not been found guilty of grave professional misconduct;
- the Applicant or persons having powers of representation, decision-making or control over the Applicant, or a managing director or any person in a key senior position working for the Application have not been debarred or otherwise sanctioned by the EU (EU Sanctions List), the UN (UN Sanctions List) or the World Bank or another multilateral development bank for having engaged in fraudulent, corrupt, collusive, coercive or obstructive practices, absent subsequent successful rehabilitation;

Furthermore:

- The Applicant warrants and represents that it has not illegally obtained confidential information, entered into unlawful agreements or influenced any NACAG bodies, or GIZ in its role as contracting authority, during the application process.
- The Applicant warrants and represents that it or persons having powers of representation, decision-making or control over the Applicant, or a managing director or any person in a key senior position working for the Application, are not affected by a potential conflict of interest and have no particular link with any NACAG bodies, GIZ as the contracting authority, or – to the best of its knowledge – other applicants or parties that will be involved in the funding measure,

including any contractors and auditors; and that should such a situation arise during the implementation of the funding measure, the Applicant will immediately inform GIZ.

- The Applicant must at all times act impartially and as a faithful adviser in accordance with the code of conduct of their profession. The Applicant shall refrain from making public statements about the contract or services without GIZ's prior approval. The Applicant may not commit GIZ in any way without its prior written consent.
- For the duration of the grant agreement the Applicant and their staff shall respect human rights and the core international labour standards.
- The Applicant may accept no payment connected with the grant measure sought other than that provided for therein. The Applicant and their staff must not exercise any activity or receive any advantage inconsistent with their obligations to GIZ.
- The Applicant and their staff shall be obliged to maintain professional secrecy for the entire duration of the grant agreement and after its completion. All reports and documents drawn up or received by the Applicant shall be confidential and not treated as public documents, except when agreed in writing by GIZ.
- The Applicant shall refrain from any relationship likely to compromise their independence or that of their staff. If the Applicant ceases to be independent, GIZ may, regardless of injury, terminate the grant agreement without further notice and without the Applicant having any claim to compensation.
- GIZ reserves the right to suspend or cancel the grant application process and/or the grant agreement if corrupt practices of any kind are discovered at any stage. For the purposes of this provision, "corrupt practices" are the offer of a bribe, gift, gratuity or commission to any person as an inducement or reward for performing or refraining from any act relating to the award of a contract or implementation of a contract already concluded with the GIZ.

Done at \_\_\_\_\_ on \_\_\_\_\_

[Signature] [Function]

**Annex C:**  
**Declaration on Climatic Benefits**

I undersigned \_\_\_\_\_, certify

- that I am the designated legal representative of \_\_\_\_\_ (“Project Owner”); and
- that I have been made aware of the eligibility criteria for the participation in the NACAG Support Facility; and
- that I have taken note of the requirement for participants in the NACAG Support Facility, in return for the grant agreement, to waive all rights and claims, whether real or potential, to greenhouse gas (GHG) emission reductions generated or for generation by the Installation until 31 December 2020, including all related climatic benefits that may flow in individualized and / or traded form from the Installation;

and in my role as legal representative and in submitting the application for financial support to the NACAG Support Facility, I represent and warrant that

- the Project Owner holds, or will hold, sole and exclusive title to all past, present and future GHG emission reductions and / or other climatic benefits generated or for generation by the Installation (altogether “ERs”); and
- the Project Owner will at the request of GIZ either transfer or relinquish his or her exclusive title to ERs until 31 December 2020 upon conclusion of a NACAG grant financing agreement; and
- if so requested by GIZ prior to 31 December 2020, the Project Owner will agree to deregister the Installation from the Clean Development Mechanism (CDM) or any other carbon standard for which the Installation has been or will be registered; and
- the Project Owner will not market and/or transfer directly or indirectly, under the CDM or any other international carbon standard, any ERs generated or for generation after 31 December 2020 to a person, body or entity domiciled, registered or incorporated outside \_\_\_\_\_ [include host country],

it being understood that these representations will survive the termination of any grant agreement for conclusion between the Project Owner and GIZ.

Done at \_\_\_\_\_ on \_\_\_\_\_

[Signature] [Function] for and on behalf of \_\_\_\_\_