

"Call to Develop Executive Projects for High Impact Mitigation of Greenhouse Gases (GHG) Emissions in Mexico"

The Ministry of Economy (SE) and the National Council of Science and Technology (CONACYT), through the "Sectorial Innovation Fund " (Fund), based on sections 2.1; 2.3 subsection (a); 3.3 subsections (c), (i) and (p); 3.5 subsection (r); and 3.6 subsection (a) of the Rules of Operation of the Fund, approved by the National Innovation Committee on May 7, 2010, and

CONSIDERING

- The 2007-2012 National Development Plan (PND) highlights the importance of supporting scientific, technological and innovation activities in order to improve the competitiveness of the country. The PND considers strategic to establish the conditions that place Mexico into the forefront of technology in order to promote the country's sustainable development. Consequently, one of the strategies of the PND refers specifically to deepening and facilitating the processes of scientific research and technological innovation adoption. These processes are one of the main drivers of economic growth and welfare in modern societies.
- Also, the PND establishes that one of the main challenges facing Mexico is to consider the environment as an element of competitiveness and economic and social development. In this sense, environmental issues must be an axis of public policy in all government activities. For the country to transit on the path of environmental sustainability, it is essential that the productive sectors and the population adopt production and consumption patterns that exploit natural resources responsibly. The PND specifies that the Federal Government will promote this transformation, designing policies and environmental programs.
- The National Innovation Program states that innovation is a prerequisite for addressing the main challenges and needs of the country in priority areas such as the environment.
- Internationally, the development of Nationally Appropriate Mitigation Actions (NAMAs) is included in the Bali Road Map (COP 13), and confirmed in the Cancun Conference of the Parties (COP 16).
- Currently, the definition of different types of NAMAs is being discussed as part of international negotiations on the "United Nations Framework Convention on Climate Change (UNFCCC)".
- A proactive attitude, contributing to the coordinated development of various types of NAMAs, will maximize the potential benefits for the country.
- The implementation of a NAMA not only allows mitigation, but also involves the creation and strengthening of institutional and industrial capabilities such as: new programs and policies, strengthening of regulations, linkages among sectors, implementation of monitoring, reporting and verification (MRV) schemes, etc.

- Currently, national economic resources available for subsidy or financing of productive projects deriving in mitigation benefits are limited.
- There is potential for mitigation in projects that can be carried out by the private sector profitably, but have not been implemented due to various types of barriers such as: regulation, market barriers, legislation, lack of coordination or information, lack of high levels of investment, among others.

CALL

Mexican public and private companies, organizations, institutions, centers, clusters, integrating companies, associations, individuals with business activities and industrial chambers registered in the National Register of Institutions and Companies with Scientific and Technological Activities (RENIECYT) interested in developing NAMAs to submit proposals for the development of economically profitable executive projects for high impact mitigation of greenhouse gases (GHG) emissions in Mexico, that due to the magnitude and nature of the project require funding or the removal of barriers that currently prevent their implementation. Proposals must abide by the Rules of Operation of the Trust called "Fondo Sectorial de Innovación" and by the following:

OBJETIVE

This invitation aims to support the development of executive projects for NAMAs that guarantee significant reductions in emissions of GHG, which in a second stage could be evaluated to obtain public or private support for their implementation, taking as a principle to prioritize lower cost and greater profits. It also aims to stimulate private sector participation in NAMAs through an efficient use of national public and private resources and possible international economic support.

DURATION OF THE CALL

The opening date of the call is June 24 and closing date is September 23 of 2011 at 18:00 hours (central time zone).

PROPOSALS

The presentations of proposals must be made in the corresponding forms, available on the CONACYT website:

<http://www.conacyt.gob.mx/fondos/FondosSectoriales/FINNOVA/Paginas/default.aspx>

Proposals should also abide by this call and its annexes. In order to be considered, proposals should be formulated and sent complete in electronic format and with all required annexes, according to the following:

Attached Information (PDF files up to 2MB each and as many as considered necessary by the proponent):

- Annex I. Format for executives projects to develop NAMAs (available on the website of the CONACYT).
- Annex II. Letter manifesting, under penalty of perjury, that all information provided to REINIECYT and presented in this call is accurate, verifiable and confidential; that the proponent is up to date in all fiscal obligations and obligations with CONACYT or SE; and that the proponent has no legal conflicts derived from actions by CONACYT or the SE, or that jeopardize their capital.
- Annex III. Complete information (name, Federal Tax Registry, address and phone number) of the technical, administrative and legal contacts of the project. The first will be responsible for drafting of the executive project and the generation of deliverables, the second will have the responsibility of implementing accounting and administrative control for the proper implementation and verification of resources channeled through the Fund; and finally, the legal contact will be the person with the authority to enter into commitments on behalf of the applicant, with the power to sign the necessary agreements and if necessary, grant guarantees to ensure due compliance of the project.

Without exception, only applications submitted in a timely manner and entered by the means indicated will be accepted and processed. Applications submitted by other means, incomplete or untimely are inadmissible.

REQUIREMENTS

The following requirements and eligibility criteria determine the conditions for the participation in the call for proposals. The call respects the principles of fairness, transparency and nondiscrimination.

Those interested in receiving support must meet the following requirements:

Requirements	Elements
a. To have a Federal Tax Registry	It must be entered in the request for support.
b. To have a valid RENIECYT registry, available at: http://www.conacyt.gob.mx/registros/reniecyt/Paginas/default.aspx	It must be entered in the request for support.
c. To be up to date in all obligations with the CONACYT and the SE	If the applicant was previously a beneficiary of CONACYT or the SE, he should be up to date on his obligations to these funds or with the funds regulated by the Law on Science and Technology.

	Also, he must not have received a recommendation of suspension for other support programs of CONACYT or SE.
d. To invest in the proposed project	The contribution to the applicant must represent at least 20 percent of the total cost of project.
e. Do not duplicate federal support	The applicant must subscribe a letter under oath stating that he has not received support from other federal programs for the same concept, involving replacing or duplicating this support.
f. To be up to date on all fiscal obligations	As provided in Article 32-D of the Federal Tax Code and the “Miscelánea fiscal 2010”, CONACYT and the SE may establish mechanisms for the coordination with the SAT for sharing information on potential beneficiaries concerning the article mentioned above.
g. Not being part of the structures that manage, operate and channel support	Under no circumstances may public support be granted to employees of CONACYT or the Undersecretary of Industry and Commerce as well as their spouses.
h. To comply with times and procedures	The applicant must comply with the times and procedures established in this Call and the Rules of operation of the Fund.

EVALUATION

At the end of the period for reception of proposals, a portfolio of projects with high potential and low unit cost of mitigation will start to be constructed. The evaluation of proposals will be undertaken by an Evaluation Committee composed by representatives of the Ministries of Economy, Energy and Environment and Natural Resources, by the Technical Secretary of the Fund and by at least two international experts chosen jointly by CONACYT and SE.

The eligibility criteria, which relevance will be determined by the Evaluation Commission will be:

i. **Total net benefits**

The project's benefits must be greater than its costs to society as a whole, both in economic terms. In this sense, the project must be associated with a positive externality for society. The economic costs and benefits for those who design the project and for the rest of society must be shown. With respect to potential mitigation identified as profitable, Annex A illustrates two examples of abatement-cost curves from MEDEC studies and Project Catalyst, which were developed for the case of Mexico.

ii. **Mitigation**

The magnitude of the GHG mitigation linked with the project will be another eligibility criterion in the process. In this sense, the minimum level of mitigation per project will be established in 150 thousand tons of carbon dioxide equivalent per year (tCO₂e / year).

iii. **Cost per ton of mitigation**

The project evaluation will consider the incremental costs associated with the proposed technology compared to the displaced technology (conventional or BAU), a practice that is widely accepted internationally as a criterion for economic evaluation of mitigation projects.

iv. **Private investors**

In the event that the project is proposed by a business association or chamber, the application must explicitly define the company or individual responsible for the project implementation. In all cases, it will also be necessary to show that projects are financially sustainable in the medium or long term. However, the implementation of projects may be undertaken in collaboration with the public sector.

v. **Period of implementation and verification of reductions**

Priority will be given to projects with quick implementation times. Emission reductions must use standard procedures for measuring, reporting and verification. Example are presented in Annex B of mitigation options typically associated with productive projects, such as sanitary landfills, wind power generation, replacement of appliances by more efficient technology, among others.

vi. **Cost for the public sector**

It will be a key element for project eligibility. Given the scarcity of public resources, high costs for the public sector will reduce probability to selection of a project.

AMOUNT OF SUPPORT

For executive project proposals considered appropriate, resources may be granted in accordance with the following:

- a. The maximum support per project will be 600,000 pesos.
- b. The support granted should not represent more than 80% of the cost of developing the project.

The proposal must specify the total cost of developing the executive project (100%) as well as the support amount requested (maximum 80% of total cost).

For distribution of the support to the beneficiaries, they must sign a Resource Allocation Agreement with the Fund, as well as fulfill with all requirements established by the Rules Operation of the Fund.

CONCEPTS TO BE SUPPORTED

This Call will grant resources for the contracting of specialized consulting and technical assistance for the development of executive projects.

PUBLICATION OF RESULTS AND SIGNING OF RESOURCE ALLOCATION AGREEMENTS

The list of proposals approved by the Fund's Technical and Administrative Committee, previous recommendation of the Evaluation Commission, will be posted on the website of CONACYT (www.conacyt.gob.mx) and SE (www.economia.gob.mx) no later than 90 days after the closing of this Call. From the date of publication of the nominated proposals, the supported subjects will have 30 days to collect and deliver to the Administrative Secretary of the Fund all documents necessary for receiving the support. Failure to submit the necessary documentation within the prescribed period, will be understood as rejection of the support on part of the beneficiary, leading to its cancellation. The allocation of resources to the designated proposals should be done through electronic signing of a Resource Allocation Agreement, which establishes the terms and conditions for granting the support.

For the delivery of resources and in order to ensure its proper use, the subject of support must provide the Fund with a guarantee that will be terminated at the end of the support.

The supported subject must submit the following documentation, as applicable to each legal form, in PDF format, identifying all complete and legible documents in separate electronic files, submitted in duplicate on CD.

- Constitutive Act of the institution registered in the Public Registry of Property.
- Federal Tax Registry (registered in SAT).
- Power that enables the legal representative or attorney for signing the grant and all kind of guarantees.

Also, a certified copy of the following documents must be provided:

- Official identification of the legal representative or agent, with photograph and signature. The latter should be the same as that registered with power to sign both the agreement and the guaranty.
- Proof of residency (phone bill, water bill or property tax).

Additionally, the supported subject will issue a valid fiscal receipt dated after the electronic signature of the Agreement to the Fund, for the amount of resources received (excluding VAT).

The Resource Allocation Agreements will establish sanctions that may be applicable in case of failure to abide by the rules applicable to the support. Sanctions may consist on the repayment of all resources, suspension or cancellation of the project, prohibition to participate in other calls or the cancellation of RENIECYT, among others.

OBLIGATIONS AND COMMITMENTS OF THE SUBJECT OF SUPPORT

In addition to those set out in the Resource Allocation Agreement, the supported subject has the following duties:

The supported subjects that have been granted support must submit the executive project containing the information described in Annex C of this Call, in printed and electronic formats through the Administrative Secretary of the Fund, no later than four months after delivery of the resources.

Also, in the first month of the next fiscal year, supported subjects should generate a financial report which should present elements to verify clearly the total spending on the development of the project and the support granted. This report must be audited by an accounting firm accredited by the Ministry of Public Function or other responsible entity.

In accordance with Article 15 of the Law of Science and Technology (LCYT), it is the obligation of the beneficiaries of funds under the Law of Science and Technology to provide the information required by the “Sistema Integrado de Información Sobre Investigación Científica y Tecnológica” (Integrated System of Information on Scientific and Technological Research - SIICYT); in all cases respecting required issues of confidentiality and intellectual property.

Subjects who fail to deliver the final executive project must repay the full amount of support plus charges and updates, according with what may be established in the Resource Allocation Agreement.

In the occurrence that a beneficiary cannot conclude the project due to force majeure, the beneficiary must notify the Fund the reasons of impossibility to conclude the project, and reimburse to the Fund, through his Administrative Secretary, the remaining resources of economic support, if the project was not implemented. The resources must be reimbursed within a period not to exceed 15 days from its notification.

The reimbursement to the Fund shall be based on what may be established in the Resource Allocation Agreement.

CONFIDENTIALITY AND INFORMATION MANAGEMENT

The information received during this Call will be subject to the provisions of the Federal Law of Transparency and Access to Public Government Information (LFTAIPG). The documentation that the proponent determines that should be classified as confidential or reserved must be expressly identified as such in the application.

The Technical and Administrative Committee of the Fund will establish mechanisms to ensure confidentiality of the information contained in the proposals, both at the stage of assessment and monitoring.

INTELLECTUAL PROPERTY

Intellectual property derived from the executive projects will be of the supported subjects. However, if the beneficiary decides not to implement the project, the federal government may, in order to achieve the project, make free use of the intellectual property generated with the supports granted through this Call. The benefits of intellectual property rights are subject to the terms and conditions stipulated in the agreements of the financing of the projects.

OTHER CONSIDERATIONS

The Federal Government may seek financial support for the development of proposals.

The objective of this process is that the projects implemented can be evaluated to determine or guide the use of instruments that may contribute to their development, such as changes in current regulations, consciousness, and coordination between agents or financing.

This call does not limit the possibility that projects may be eligible for support from other sources for later stages (implementation of executive projects, monitoring, etc.).

UNFORESEEN SITUATIONS

The interpretation of the content of this Call and situations not mentioned will be resolved by the Technical and Administrative Committee of the Fund based on appropriate instances. The decisions of the Technical and Administrative Committee of the Fund shall be final and unappealable.

The terms of this Call are aligned to what is established in the Law on Science and Technology and the regulatory instruments of the Fund, so that the results can only be questioned within the framework outlined in this Call.

MORE INFORMATION

For any clarification or additional information about this Call please contact:

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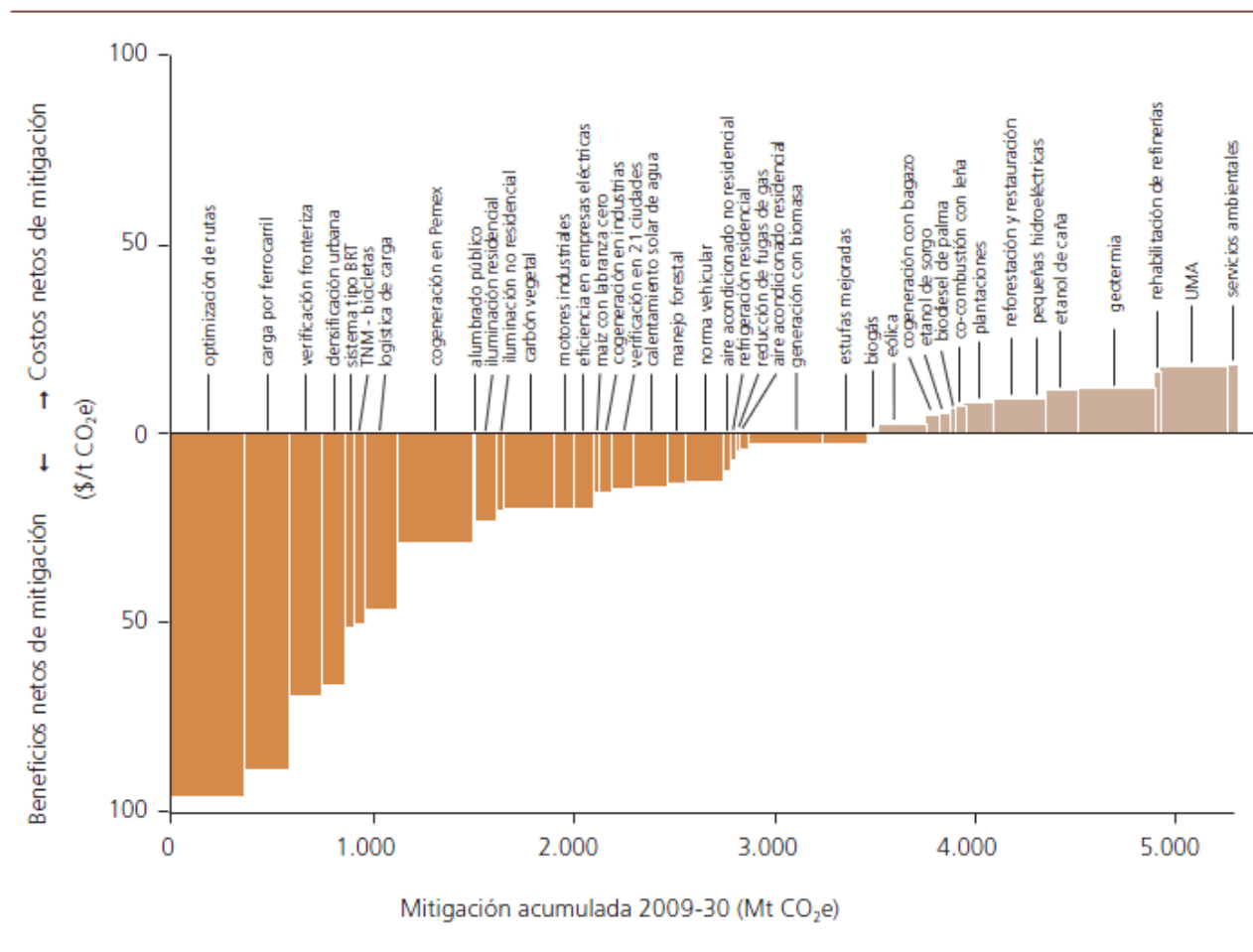
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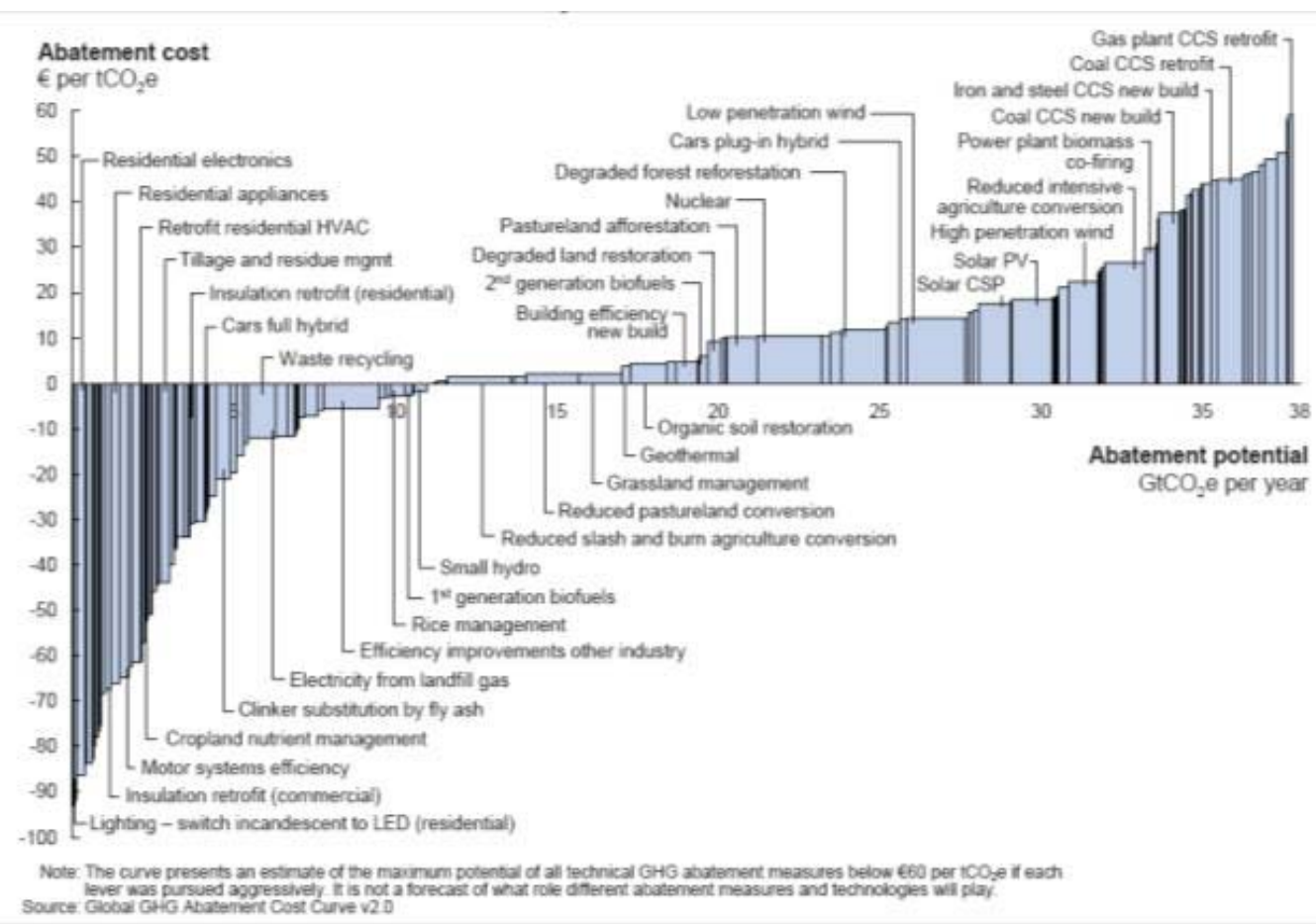
Issued in Mexico City, Distrito Federal, June 24, 2011.

Annex A

MEDEC: Curve of marginal abatement costs



Project Catalyst: Abatement cost curve of GHG Mexico - 2030



Annex B

Examples of mitigation measures

Projects	Unit information				Information from a group of actions			Net cost (USD/tCO ₂ e)	Comments
	Mitigation		Life (years)	Comments	Number of similar projects grouped	Mitigation			
	Due to an average project per year (MtCO ₂ e/year)	Accumulated throughout his life used (MtCO ₂ e)				Average per year (MtCO ₂ e/year)	Accumulated throughout his life usedl (MtCO ₂ e)		
Capture ofCH ₄ in landfill	0.2	2	10	Capacity of a landfill with similar characteristics to Queretaro	2	0.4	4	de -32.4 a 11.2	The negative net costs include the direct use of methane as cobustible or for power generation. The positive net cost includes only the burning of methane and does not consider the value of CO ₂ e carbon markets. Source: <u>Low-Carbon Growth, A Potential Path for Mexico, Centro Mario Molina-McKinsey & Company Mexico, 2008</u>
	0.000001	0.000004	7	Values obtained from the refrigerator replacement program "To live better"	1,000,000	0.5	3.5	-7	The net cost data came from the study: <u>México: estudio sobre la disminución de emisiones de carbono (MEDEC), Banco Mundial, november de 2009</u>
Electrical Efficiency in residential lamps	0.00000005	0.0000002	3.5	Replacing a 75W incandescent bulb with a compact fluorescent lamp 23W	18,000,000	0.88	3.07	-23	
Wind generation	0.24	4.80	20	100MW Project	1	0.24	4.8	30.6	The net cost data came from the study: <u>Low-Carbon Growth, A Potential Path for Mexico, Centro Mario Molina-McKinsey & Company Mexico, 2008</u>
Social interest housing	0.000001	0.000008	7	1 social interest housing program "This is your home"	400,000	0.48	3.36	de 0 a 46.7	The net cost data came from the study: <u>México: estudio sobre la disminución de emisiones de carbono (MEDEC), Banco Mundial, noviembre de 2009</u>
transportation projects	0.03	1.30	12	Confined lane buses (BRT)	7	0.24	2.86	-50.5	

Source: SEMARNAT

Comments

Annex C

FINAL DELIVERABLE

Proponents must submit hard copy and electronic file on compact disc with the executive project, which shall contain the following information:

1. General information of the proponents
2. Executive Summary
3. Objectives and description for the project
4. Methodology used for measurement, reporting and verification of mitigation
 - a) Calculations of emissions reductions according to the bases of the IPCC (International Panel of Climate Change)
 - b) Calculations of emissions reductions according to the bases of GHG (Green House Protocol)
 - c) Calculations of emissions reductions according to the bases of the NOM NMX-SAA-14064/1-IMNC-2007
 - d) Mechanisms for validation and registration
5. Description of tools and technology applied to the project
6. Detailed explanation of the deployment plan of the technology
7. Reduction targets
8. Evaluation of socioeconomic impacts
9. Financial plan
10. Implementation and execution plan