



Anonymous Q&As based on inputs from the Market Dialogue on Greenland's Large Hydropower Tender carried out from September – December 2022

March 2023



The Government of Greenland is thanking all participants who took part in the initial market dialogue on Greenland's large hydropower tender, which took place from 1st September to 31st December 2022.

The purpose of the market dialogue was to engage in an informal dialogue with a broad range of potential investors about the possibilities for commercial exploitation of Greenland's large hydropower potentials situated on the Southwest coast of Greenland. The aim was to gather input for the final tender conditions and timetable.

During the dialogue process, the Government of Greenland engaged with a number of different potential companies/group of companies based on the Questionnaire for market dialogue https://hydropower.gl/news/2022/08/market-dialogue-questionnaire?sc_lang=en both through digital and in-person meetings held in and outside Greenland. The officials in charge of the tender process from the Government of Greenland attended these meetings. Prior to the meetings, each company or group of companies submitted written communications and comments using the Questionnaire for market dialogue.

The Government of Greenland highly appreciates the thorough work of each individual company or group of companies, as well as the additional comments and respectful manner in which the meetings were conducted.

The following anonymous Q&A's preliminarily address the general issues and insights that emerged across the individual dialogues, with the Government of Greenland responding to topics and issues raised by more than one company/group of companies.

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Question:

Does the Government of Greenland have a preference for particular types of off-take markets?

Answer:

The Government of Greenland actively welcomes various off-take projects, including but not limited to PtX projects involving the distribution of green ammonia/hydrogen to international markets or the processing of minerals like aluminum or iron for distribution to international markets. If a particular off-take project is preferred over others, the government will communicate this information before or at the same time as the pre-qualification documents are published.

In the future, Greenland's potential mining sector, including rare earth minerals, may become a potential off-take industry. Additionally, the shipping and fishing industries in Greenland will have a future demand for green fuels.

Question

Will the Government of Greenland make adjustments to the license period of 40+20+20 years and the conditions for extending the period?

Answer

The term of the license and any extensions are governed by section 14 of the Greenland Parliament Act no. 05 of November 2018 on Exploitation of Hydropower for the Production of Energy (the “Hydropower Act”), which reads as follows:

“Section 14

(1) Halfway into the period of the exploitation license, the licensee and the Government of Greenland may initiate negotiations concerning the time after the expiry of the license period.

(2) The Government of Greenland may grant an extension of the period of an exploitation license by up to 20 years subject to terms laid down by the Government of Greenland.

(3) In the interests of the realization of a project, the Government of Greenland may, if necessary – in addition to an extension granted under subsection (2) – grant the licensee a right to extend the license period by up to an additional 20 years subject to terms laid down by the Government of Greenland.

(4) The total period of an exploitation license may not exceed 80 years”

The Greenland Government grants hydropower operating licenses for a period of up to 40 years, and under section 14(2) of the Hydropower Act, the licensee may request up to two extensions for further operation for a maximum of 20 years each. The Government of Greenland and the licensee may negotiate and grant extensions to the exploitation license. Section 14(2) enables the Government of Greenland to include an extension option in the license, subject to the fulfillment of specific terms by the licensee. The licensee can exercise this option if they fulfill the stated terms, which must be reasonable and objective. The terms may include the continuous maintenance and renovation of the hydropower plant and related installations, as well as the continuous production and maintenance of related industrial plants.

If the extension option is not included in the exploitation license, negotiations between the Government of Greenland and the licensee can still lead to an extension, as outlined in section 14(2). In special cases, the Government of Greenland may grant the licensee an additional extension option, allowing for a total of 80 years of license period, with two consecutive extensions of up to 20 years each. However, the licensee must demonstrate the necessity of this extension option for project implementation, and new or amended terms may apply, including royalties.

Under section 15, the Government of Greenland may specify license terms regarding the reversion of the exploitation license upon expiry or termination. Reversion includes all facilities directly related to the hydropower plant, such as infrastructure, accommodation, and technical facilities and equipment. Reversion cannot occur before the expiration of the exploitation license, unless agreed upon by both parties.

The published license is a model license, and final terms and conditions may be negotiated to suit the specific project. As the design of the project remains uncertain until the final tender material is published, it is not practical to specify special terms for a potential extension in 40 years. Article 2 of the model license outlines the general obligations of both the Government of Greenland and the licensee.

Question

Can sufficient capacity and administrative resources for case handling during the tender process, the proof of concept phase, and under the license period be secured by the Government of Greenland?

Answer

The Greenland Government is working on ensuring that sufficient resources are available in order to carry out a solid tender process and meet the administrative demands from any future bidders and investors.

In addition to making more budgetary funds available, the Greenland Government has issued an Executive Order on fees for the authorization and reimbursement of costs for case processing in connection with preliminary studies and exploitation of hydropower for energy production, as provided for by the Greenland Act on Exploitation of Hydropower for Energy Production.

Reimbursing expenses for case handling regulatory treatment is a well-established practice that for instance is used in the North Sea offshore sector. The Executive Order aligns closely with similar rules from the Danish Energy Agency regarding offshore wind energy. Its purpose is to provide the Greenland Government with adequate administrative resources, both internally and externally, to ensure efficient case processing. Collection of reimbursements for reasonable expenses incurred by the Government of Greenland will be particularly relevant during the proof of concept phase and the license period.

Section 1 of the Executive Order specifies those with an obligation to pay, as follows:

“1) Rights holders under the Greenland Parliament Act on the Exploitation of Hydropower for Energy Production.

2) Applicants for authorization to carry out feasibility studies on hydropower for energy production.

3) Applicants for authorization to exploit hydropower for energy production.”

Please note that the payment of reimbursement for the costs of government treatment should not be regarded as a fee or tax, but rather as a reimbursement for the authority's reasonable and documented expenses related to case handling under a license. Section 2 of the executive Order outlines the statement of costs as follows:

- “1. Costs for case processing, including supervision, are calculated based on the number of hours recorded as having been spent on each task.*
- 2. The hourly rate shall be determined based on the average cost of the staff's wages involved in the processing of the case, plus a proportion of the other administrative costs associated with the processing of the case for the financial year in question.*
- 3. Costs may include studies, consultancy services, including assistance from other authorities, business travel, meals and accommodation, interpretation and translation services, which may be charged to the case processing of individual tasks.”*

The Executive Order covers reimbursement requirements for expenses incurred by the Greenland Government, including those related to the use of external advisers and service providers, regardless of whether they are employed in another governmental agency or public institution or are professional advisers or service providers.

In administering the Executive Order, the Greenland Government will adhere to the general principles of administrative law, which are outlined in Article 2 of the model license for exploitation under the General obligations of the Greenland Government. In this context, the intention is that any such reimbursements be reasonable and predictable for the investors:

“Article 2 General obligations of the Greenland Government and the Licensee

2.01 The Greenland Government shall act in accordance with and comply with Greenland law, Danish law and international law and agreements applicable in Greenland at any time.

2.02 In the Greenland Government's making of assessments and decisions and other case processing, the Greenland Government shall act reasonably and in accordance with general rules and principles of Greenland administrative law, including the principle of objectiveness, the principle of proportionality and the principle of equal treatment. This shall apply to all assessments and decisions, including discretionary decisions and decisions on granting of approvals, setting of terms, requirements and time limits and granting of extensions of time limits.”

Question

Does the Government of Greenland intend to adjust the timetable for the tender process?

Answer

The timetable for the tender process is a function of administrative resources and political decisions that are being contemplated as a result of input received from the recently completed market dialogue. The intention is to announce an updated timetable once there is clarity on the path forward.

Question

Does the Government of Greenland intend to adjust the tax scheme for companies and foreign investment?

Answer

The Government of Greenland has noted a request from respondents, for changes to the tax carry-forwards and taxation of dividends rules. The Government of Greenland is currently working on proposals that are meant to address the issues raised and provide possible solutions that are being submitted for political consideration. The requests to change the current rules for the treatment of tax carry-forwards and taxation of dividends have not yet been submitted for political consideration, and it is therefore not at present possible to answer the extent to which the rules will be changed.

Question

Which kind of royalty models, does the Government of Greenland consider?

Answer

The Greenland Government is considering different types of royalty models, that likely will combine taxes with a resource rent and potentially, co-ownership. The decision on this matter will be taken at the political level of the Greenland Government, and these deliberations are being informed by the feedback received during the market dialogue.

The legislative framework for these deliberations on the hydropower side is the Hydropower Act of 5. November 2018, where section 10 states the following:

“Section 10

(1) A licence granted under section 5 must specify the royalties which are payable by the licensee to the Self-Government based on:

- 1) the size of the hydropower resource covered by the licence (volume royalty);*
- 2) the actual exploitation of the hydropower resource (exploitation royalty);*
- 3) the energy output (output royalty).*

(2) Furthermore, terms may be laid down providing for the payment to the Self-Government of a share of the economic profit from the activities under the licence (profit royalty).

(3) In the context of determining the amount payable by a licensee in royalties to the SelfGovernment under subsections (1) and (2), the licensee may be granted full or partial tax exemption for the activities under an exploitation licence for hydropower resources for the production of energy.

(4) Before granting any tax exemption under subsection (1), the Government of Greenland must obtain authorisation to do so by including a note to this effect on the Finance Act.”

Question

Does the Government of Greenland still intend to release the data as presented in the Invitation to Dialogue published in May 2022?

Answer

The Government of Greenland has released, or intends to release the data listed in the table below according to the indicated timeline:

	2022	2023	2024	2025	2026
Topographic data (Alcoa data)	Medio*				
Geology and geotechnics (Alcoa data)	Medio*				
Assessment of seismic hazards (Alcoa data)	Medio*				
Previous pre-feasibility study from 2010 (Alcoa-data)	Medio*				
Ammonia study	Medio*				
Water discharge data from 1974 – 2021		Primo*			
Climatic data from 1974 – 2021		Primo**			
Documentation of data validity and reliability for hydrological and climatic data		Primo**			
High-level description of the environment and culture in the two areas		Medio			
Additional water discharge data and climatic data fulfilling the ISO 18320 standard in order to improve the Q/h relation	-	-	***	***	***
New hydrological measures on the most northern part of the Tasersiaq area	-	-	***	***	***

* Already released and available upon request, please see: https://hydropower.gl/emner/data-and-reports?sc_lang=en

**Data is available and can be acquired from Asiaq – Greenland Survey

***It is anticipated that the winning bidder will be collecting this data