

Using the financial model workbook for Carbon Innovation Grants Program (CIGP)

1 Introduction

The financial model workbook (Microsoft Excel) serves three main purposes to help the assessors understand:

- what you plan to do
- the project costs and funding sources
- the expected emissions savings and financial viability of deploying the technology at full scale.

Two versions of the workbook are available from the website, a worked example, which demonstrates how it can be used, and a blank template. You can either work from the blank template or start with the worked example and change it to cover your project.

1.1 Disclaimer and Background

The purpose of the financial model workbook is to provide a detailed financial model to support a business case and is intended to draw out specific information for project evaluation purposes. It has been designed for simplicity. However, it is limited and any use of it to manage your project is at your own risk. The Department of Water and Environmental Regulation takes no responsibility or liability for any errors or emissions in the content of the template or case study data if used outside of the Carbon Innovation Grants Program (CIGP) application process.

The information contained in the template and case study are provided on an “as is” basis with no guarantees of completeness, accuracy, usefulness or timeliness. The content of the template or case study data should not be relied upon for making any business, legal or any other decisions and related representations. It is the responsibility of the grant recipient to complete the template and ensure it accurately reflects the financial and carbon savings objectives of their grant proposal.

This model has significant limitations. It does not incorporate depreciation or tax impacts, on the premise that it is measuring the inherent value of the project, rather than the tax structuring of it.

The model assesses cashflow by year rather than month, and works with current year Australian dollar prices, effectively assuming that inflation affects all costs and revenues equally over the life of the project.

It only examines carbon emissions and capital and operational costs that are relevant to the project proposal, all business operating costs and immaterial emissions sources do not need to be quantified.

Additionally, the model does not accommodate assumptions (such as input and output prices or emissions or other resource intensities) varying over time.

If you have your own modelling which provides all the information requested in the application form, you may submit that in addition to this template. If you wish to discuss alternative submissions, please contact: carbongrants@dwer.wa.gov.au

The completed model values must align with values entered in the SmartyGrants application form.

1.2 Conventions – colours and money, carbon and energy

The workbook uses a basic colour code:

Green is for user input of values or labels like cost components and module descriptions.
Light green is for values with a calculated or suggested default that you can type over.
Uncoloured cells can contain formulas that auto calculate values and do not need to be edited.
Yellow highlighting indicates a value has been typed over a formula. If you need to do this, please leave the yellow highlighting to draw attention to the change and indicate in a cell comment why the change was needed. If you do this by mistake, you can reverse it using Undo or Ctrl+Z.

Capture all money values in current year Australian dollars as the time value of money will be handled in the internal rate of return and net present value calculations.

1.3 Navigation

The first tab of the financial model workbook, called **Index**, has a table of contents. You can use it to quickly navigate to a section tab. You can return by clicking on the **Index** tab again.

1.4 Submitting your financial model

When you have completed your financial model, please attach it in Excel spreadsheet form with your application in Smarty Grants. Do not submit it as a PDF. The assessors may need to check your formulae and comments.

2 Tab structure

There are two main tabs in the financial model as outlined below. The suggested path to complete the spreadsheet is as follows:

2.1 Project Model tab

1. Project costs (excluding GST)

Capture the items you will need to spend money on in Project costs. Do not include GST or operating costs that are not directly related to the project. For each cost item indicate the percentage that qualifies as an eligible cost for CIGP purposes. This will calculate the total cost and total eligible costs for the project.

In kind contributions are to be added in "in kind contribution" sheet, this will automatically populate details in the project model where required.

Check the calculated percentage of eligible costs you want to apply for from CIGP, noting the maximum is 50% and the maximum amount that can be requested is \$500,000. The minimum amount that can be requested is \$50,000.

Refer to the **Eligible costs** tab for information regarding eligible and ineligible costs. If you wish to confirm the eligibility of certain costs, please contact **carbongrants@dwer.wa.gov.au**

2. Project Funding

Capture the Project Funding by indicating the amount from each category. In-kind contributions should be captured in the in-kind contributions tab and will be auto populated into the Project funding section.

3. Milestones and expected expenditure

Capture the number and names of each milestone (or project component), and the \$ value of each project cost that is spent for that milestone.

Describe each project deliverable clearly, the final milestone must include a deliverable for a final project report with a milestone grant payment of \$10,000 reserved for this milestone. A cost need not be attributed to the final report.

4. Projected operating emissions and costs

This section includes projected emissions reductions (or increases) and costs and savings.

Use the green cells in conjunction with any assumptions needed from the Project assumptions (Section 12 – Outputs and Inputs tab) to calculate the carbon emissions and savings from the project. For feasibility studies, current 'baseline' emissions are compared to the carbon savings that are estimated to occur if the project was deployed

at full scale, this should reflect the estimates of emissions savings that you are intending to validate and refine through the proposed feasibility study.

Capture the required information on expected revenue and operating costs in the **Projected emissions and Costs table** as well as in the Project assumptions (12. Project Assumptions – Outputs and Inputs tab). A cost should be recorded as a negative number, and a revenue stream should be recorded as a positive number. Check the values calculated match your expectations. There are also additional rows in dark green where costs or revenue can be manually entered into the table.

5. Viability and impacts

Ensure the production life is added to this table. Also add in an estimate of the total industry production within Western Australia and any Scope 1 and Scope 2 emissions that are likely to be generated during project construction. This will then estimate the potential net emissions savings if your project was deployed at scale. The inputs can be modified to suite the industry type.

6. Financial return

Ensure the estimated capital costs of a full-scale project and Discount rate is added to this table.

The Simple payback, Internal rate of return (IRR) and Net present value (NPV) will be automatically calculated.

7. Potential for wider adoption

Insert the estimated number of similar projects that you expect could be built by 2035 due to your feasibility study project.

8. Cashflow tab

There are no user inputs on this tab. The Cashflow table will populate automatically.

This table provides the basis to calculate the internal rate of return (IRR), simple payback and net present value (NPV) with and without grant funding. These values show up in section **6 Financial Return**. You should check that the values seem realistic and if not, check your inputs.

2.2 Outputs and Inputs tab

This tab summarises the key parameters of the project and its outputs and inputs.

9. Validation

The Validation section checks that the grant fund rules are not violated. Once you have completed the Project Model and In-kind contributions tab, check the Validation section which contains several checks on your data. If any of these validations fail, they will be highlighted in red. You should address this issue by checking your inputs to the **Project Model** or **Assumptions** section before you submit your application.

10. Project Summary

This shows a short summary of the project inputs and outputs. You should review it to check that the values match your expectation of the project.

11. CIGP parameters

This section captures the scheme parameters. You should not change these values. Check the calculated percentage of eligible costs you want to apply for from the grant, noting the maximum is 50% and the maximum amount that can be requested is \$500,000.

12. Assumptions

Capture the project start date and project operational life. This sets up the years for the cash flow table and the start month for modules. These two assumptions are required. Add any other assumptions you need for your calculations. For each assumption, complete the [Source of reason behind value] column. Add extra rows if you need.

Use this section to capture the emissions intensity, buy and sell prices and energy intensity of any inputs or outputs associated with the project. For emissions estimates referencing the National Greenhouse Accounts Factors (link below) is preferred. You should provide updated or project-specific values where available and fill in the [Source of reason behind value] column.

- [National Greenhouse Accounts Factors - DCCEEW](#)
- [Projecting greenhouse gas emissions - DCCEEW](#)

Capturing values in the assumptions section allows you to capture the source or justification of the value. It also means that you have a central point of reference for the value even if you use it in several places in the spreadsheet.

The Assumptions section and the Project summary section showing project outputs are deliberately located together to allow you to see the impact of changing inputs.

2.3 Other tabs

Other tabs included in the workbook are:

- **In-kind** – Where you can record any sources of funding supplied as in-kind goods or services. In-kind expenses refer to non-cash costs where goods or services are provided instead of money. These are expenses that are paid for with resources other than cash, such as materials, labour or equipment.
- **Merit Criteria** – A summary of the merit criteria for CIGP (no user input required)
- **Eligible costs** – A summary of the types of costs CIGP can fund (no user input required)
- **Scratchpad** – Optional tab for the user to complete miscellaneous calculations
- **Glossary** – Current terms.