



MRCI 2023 Partner and Stakeholder Meeting

Session 5 - Financing CCS Projects

October 4, 2023



A carbon management company.

We capture carbon value through the development of and investment in decarbonization projects for power plants, industrial facilities, and fuel production.

Elysian provides integrated end-to-end carbon capture and storage (CCS) solutions to emitters seeking to transition to low carbon products and address ESG goals.

Elysian is sponsored by Buckeye Partners, a wholly owned investment of the IFM Global Infrastructure Fund



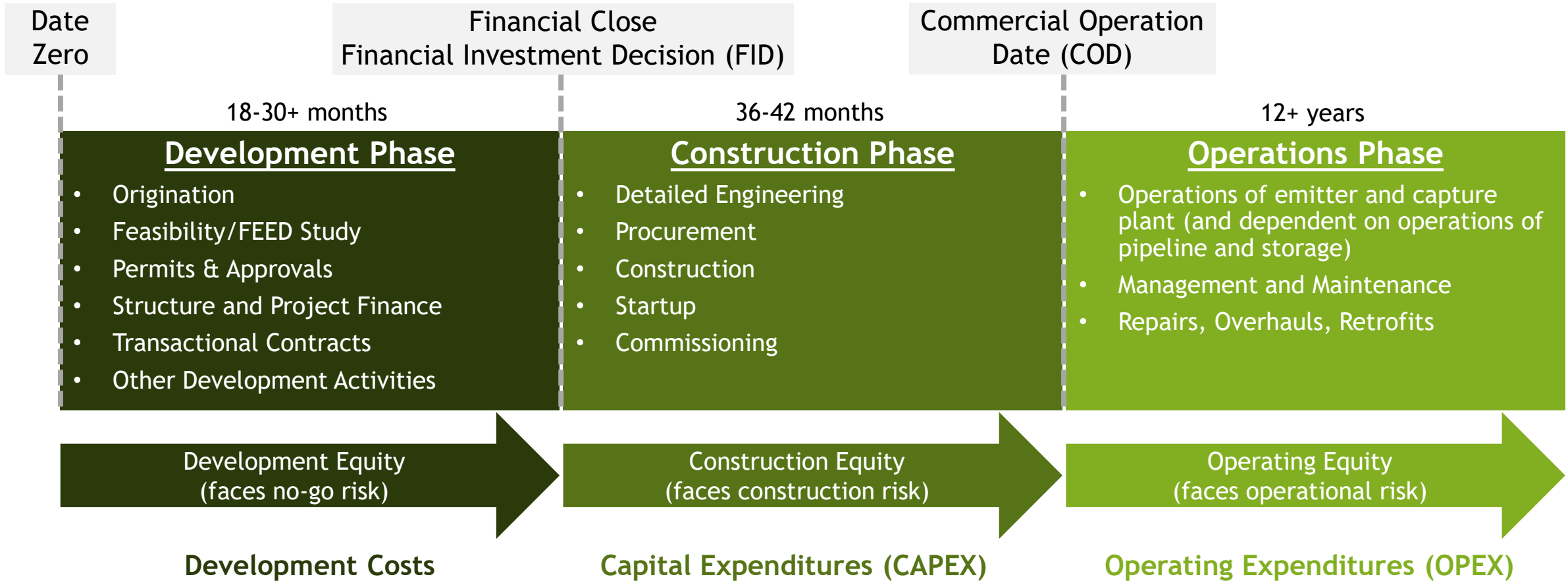
“30 by 30” GOAL

Elysian seeks to capture and store a minimum of 30 million metric tons of CO₂ per year by 2030, which will generate over \$2.5 billion per year of tax credits

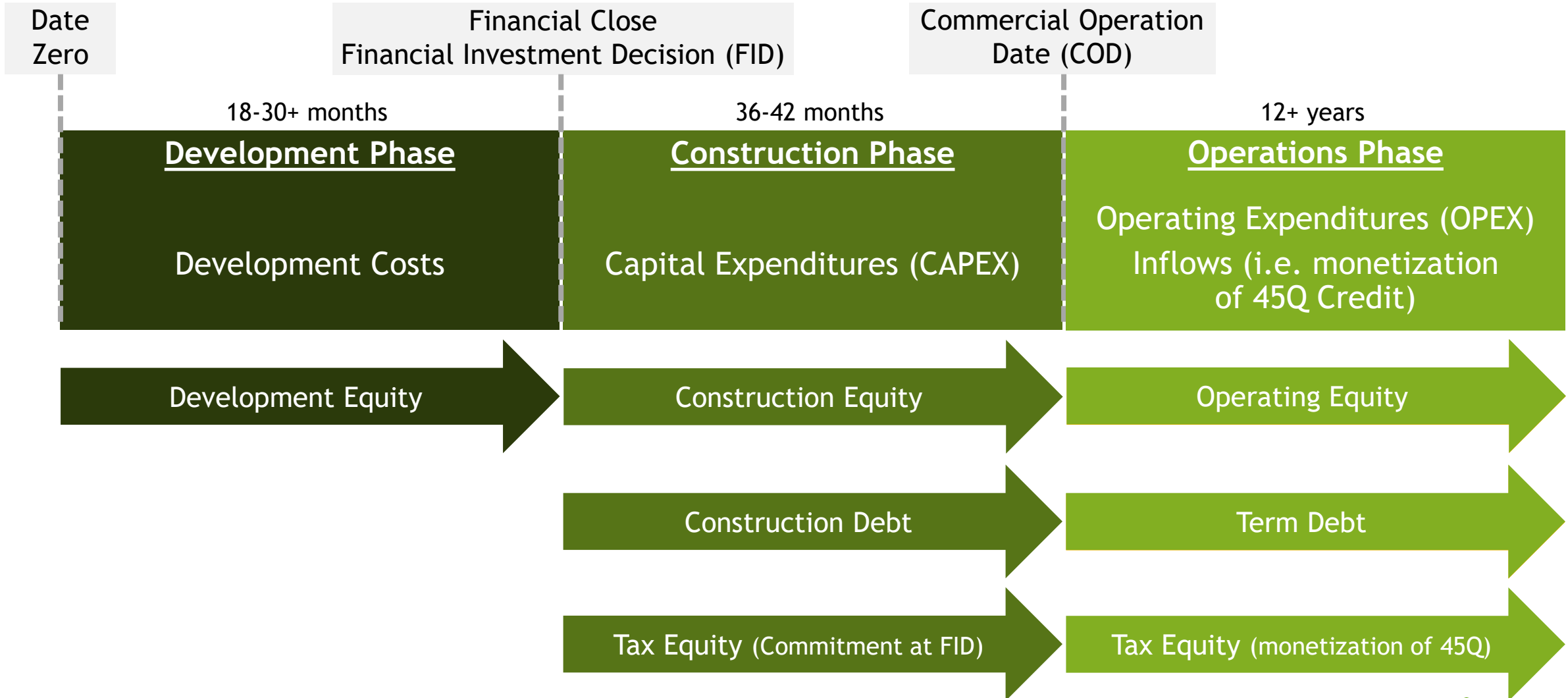
Some CCS Project Business Structures

- A. **Decarbonization-As-A-Service (DAAS):** Developer enters decarbonization contract with the host/emitter; Developer funds development of capture project and manages construction and operates the capture facility long-term; Transport and/or storage is self-performed or outsourced
- B. **Build own transfer (BOT):** Developer funds development and constructs the capture facility; once the capture project is de-risked and the capture facility is operational, then the capture facility is transferred to the host/emitter for long-term ownership and operations; Transport and/or storage is self-performed or outsourced
- C. **Development Services Agreement:** Developer for hire model, where Developer provides development services to host/emitter (managing design, permitting, financing, construction, and arranging for transport/storage) in exchange for a monthly fee, a success bonus, and a co-investment option
- D. **Integrated Model:** Developer causes acquisition of some or all the existing host/emitter and adds carbon capture facility on an integrated basis to maximize realization of decarbonization value; Transport and/or storage is self-performed or outsourced
- E. **Transport/Storage Service Provider:** Host/emitter executes a capture project at its own facility, and Developer provides transport and/or storage services to the host/emitter

Project Lifecycle - Capture Plant example



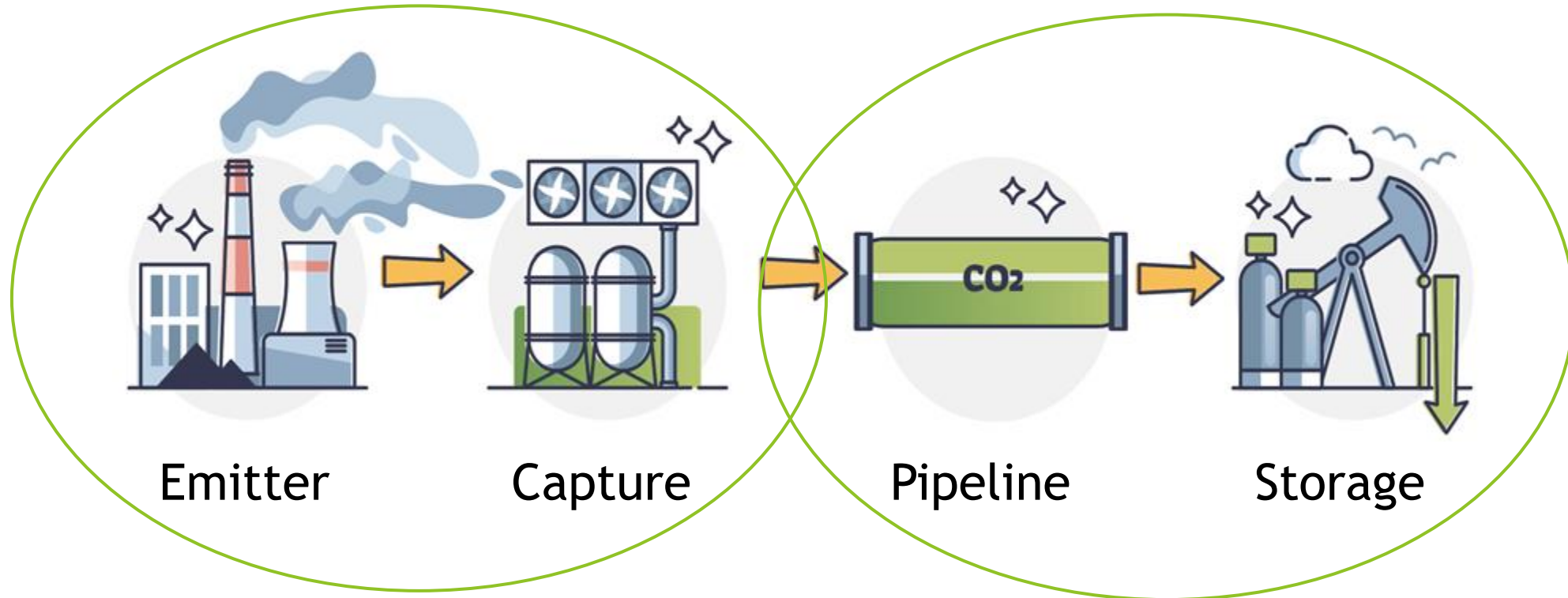
Financing - Capture Plant example



Financing Sources Differ Based on Phase of Project

- Development period
 - Sponsor Equity (emitter, capture development company, storage development company, other)
 - Government (DOE grants)
- Construction period
 - Sponsor Equity (one or more owners of project, JV parties)
 - Debt:
 - Project finance bank debt (typically)
 - DOE Loan Program Office - project finance debt (potentially)
 - Advantages to Project Owner(s): (1) debt is cheaper than equity, and (2) risk exposure reduction (limited recourse)
 - Construction debt requires either (A) firm ‘take-out’ at project completion, or (B) construction loan conversion to a term loan
- Operations period
 - Sponsor Equity
 - Tax Equity - typically “drives” the capital structure
 - Debt: Term Loan

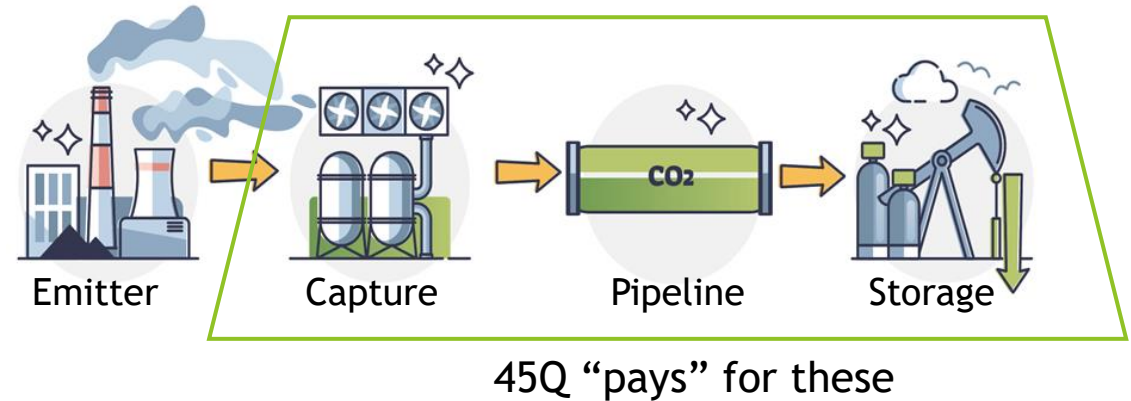
Financing Operations of CCS



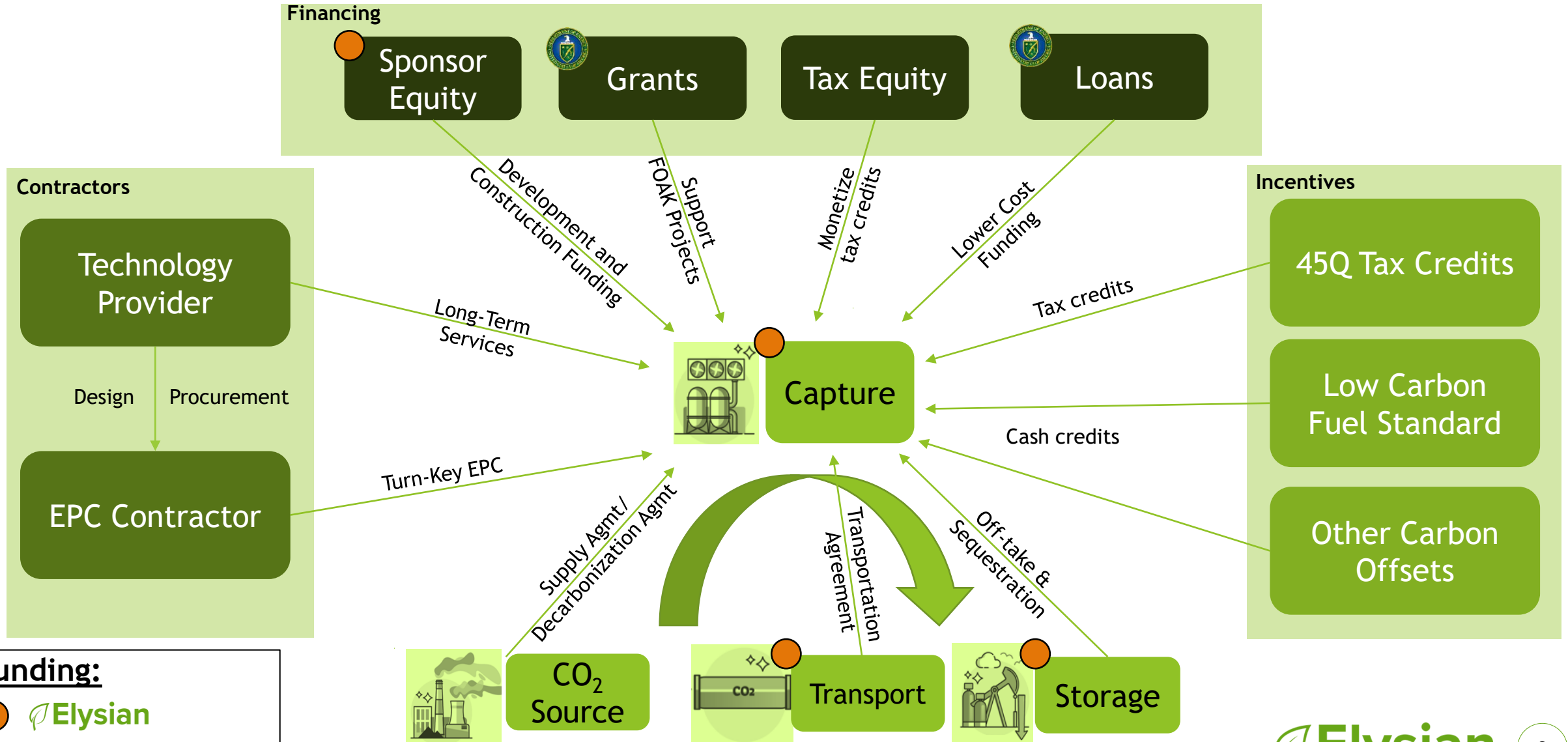
- Interdependent Projects
- Financial success of CCS operation (Capture, Pipeline and Storage) is dependent upon the operations of all CCS components as well as the Emitter/Source of CO₂
- Two natural groupings/affiliations of ownership of the components for financing purposes

45Q is Economic Basis of US CCS

- Substantial value: For every 1 million tons sequestered in a saline aquifer, the 2026 tax credits are \$85 million, per year
- 45Q Credits go to owner of Capture Facility (subject to election)
- Tax equity partnership: Frequently, Tax Equity Investor acquires 99% of the Capture Project and is allocated 99% of the tax benefits for 12 years (including credits, depreciation and losses). Tax Equity Investor pays:
 1. ~20% of 12 years of tax credits, with guaranteed payment of entire amount at COD
 2. ~30% of 12 years of tax credits, with guaranteed payments over course of 12 years
 3. ~50% of 12 years of tax credits, paid out over time based on amount of CO₂ that is stored
- In addition to payment of capital and operating costs, 45Q must “be enough” provide return on capital investments (equity, debt, and tax equity investors), as well as pay insurance, advisors, attorneys, vendors/contractors, pore space owners, ROW owners, state fees/taxes, etc.



Parties to CCS Project



Funding:

- Elysian
- Department of Energy

Confidential and Proprietary

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*Developing and operating carbon capture projects
that decarbonize energy, power and industrial facilities*

