

**RESPONSES TO QUESTIONS RELATED TO: IRS NOTICE 2006-24,  
QUALIFYING ADVANCED COAL PROJECT PROGRAM IRS NOTICE 2006-  
25, QUALIFYING GASIFICATION PROGRAM – April 17, 2006**

DOE is answering questions related only to DOE certifications. Other questions should be directed to the IRS by calling Doug Kim or Kathy Reed at (202) 622-3110, or by faxing the questions to them at (202) 622-4779.

**11. Independent Financial Analyst**

- a. Regarding the preparation of the required Independent Financial Report, the final requirement of the certification language "...that the Independent Financial Analyst has no obligation to the applicant and has acted to the best of its ability as an independent expert" is not clear in regard to banks, investment banks or financial advisory firms who have been mandated as a financial advisor to a project and/or mandated to act as an underwriter of debt and/or equity. Are firms in this position eligible to prepare the report and provide the required certification?
- b. Would an investment bank engaged by the applicant as their financial advisor (for their project) be precluded from serving as the Independent Financial Analyst?

**Response 11a, 11b –The requirement is to assure that the Independent Analyst has no conflict of interest with respect to their review. A bank, investment bank, or financial advisory firm that has been mandated as a financial advisor to a project would have a conflict of interest and would not be appropriate Independent Financial Analysts for the purpose of DOE Certification.**

- c. Are there any technical qualifications/credentials (e.g., engineering/industry knowledge) necessary for the Independent Financial Analyst to possess in order to appropriately serve in this capacity (i.e., as Independent Financial Analyst for purposes of DOE certification)?
- d. Are there any cautions we should be aware of with respect to selection of an Independent Financial Analyst? Are there any profile characteristics (of the Analyst) that could be viewed unfavorably despite a professed subject matter expertise as required in the IRS Notice?)

(The Notice seems to be somewhat subjective, stating the IFA should have experience that "establish the Analyst's competence to evaluate project financing for projects similar in scope and size to the Applicant's project.")

**Response 11c, d – The Independent Financial Analyst should provide their qualifications.**

- e. When an applicant plans to self-fund a gasification credit project and is not planning to seek project financing, can the applicant so state and does this eliminate the need for an independent financial report?

**Response 11e – An independent financial analyst report is not necessary for applicants who plan to self-fund their project. Such applicants should meet the requirements under Appendix B (D) (VI) “Project Development and Financial Plan” including submission of the information requested and demonstration that the applicant has sufficient funds to fund the project with its own resources.**

## **12. Questions Regarding Eligible Property**

- a. If a gasification project is constructed to produce power and the project consists of \$150 million for the gasifier and the power block cost \$125 million, does the entire \$275 million qualify for the tax credit or just the \$150 million for the gasifier? This question assumes all other elements of the program are met.
- b. Section 2.03 of Notice 2006-25 defines a "qualified gasification project". Is the scope of the project defined only up to the production of synthesis gas and not subsequent chemical or physical conversion or carbon sequestration activity, or can such subsequent activity be considered as part of the qualified project?

**Response 12 – Please refer to the IRS for responses to questions 12a and 12b.**