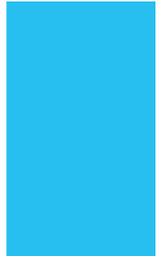


Saskatchewan Petroleum Innovation Incentive (SPII)



Overview

The Saskatchewan Petroleum Innovation Incentive (SPII) offers transferable royalty/freehold production tax credits for qualified innovation commercialization projects at a rate of 25 per cent of eligible program costs. The program targets a broad range of innovations deployed across all segments of Saskatchewan's oil and gas industry with respect to the following eligible activities:

- Improving oil and gas recovery
- Managing adverse environmental impacts
- Increasing value-added processing capacity
- Commercializing oil and gas production byproducts or waste.

The SPII program is open to both pilot projects and commercial scaling projects – giving applicants the ability to test their innovations in a pilot setting then deploy them at larger commercial scales. In addition to this, projects executed on multiple sites and projects that include multiple phases may be considered eligible to the program under a single project application.

The Ministry of Energy and Resources may recognize the second and third deployment of an innovation as eligible projects. These projects will be considered as eligible as long as they satisfy one of the following criteria:

- The project is carried out in the same production area and is considered necessary in order to overcome substantial technical validation challenges or proof of concept challenges; and
- The project is being conducted in a different

production area of the province and under different operating conditions that pose significant new technical challenges.

Eligibility

1. Must be an eligible innovation:
 - a. Required to have a "Technology Readiness Level" of at least 7.
 - b. Pilot – The innovation is the first of its kind in Saskatchewan's oil and gas industry or is a significant advancement on the current state of the art in the industry.
 - c. Commercial Scaling – The innovation is being demonstrated on a significantly different commercial scale that has no technical equivalent in Saskatchewan's oil and gas industry and poses significant new technical challenges.
2. Must be associated with an eligible activity.
3. Must include at least \$1 million in eligible costs.
 - a. Must not be operational prior to applying.

Program Highlights

- The credits are fully transferable which gives non-producers/non-royalty payers an opportunity to benefit from the program because they have the ability to transfer credits to royalty/freehold production tax payers. Also, SPII encourages multi-company projects as costs can be incurred by a firm other than the principal applicant.
- SPII has a project-specific awarded credit cap of \$5 million (i.e. a \$20 million project).
- SPII can be used alongside other incentive and grant programs available in Saskatchewan.
- Costs incurred from January 1, 2018, onward may be recognized as eligible.

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