

Exhibit 13: Local and other asset-related taxation and charges

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Exhibit 13 Local and other asset-related taxation and charges

In this Exhibit, we provide an overview and estimate of AQUIND's local taxes and other asset-related costs. These costs represent a portion of AQUIND's overall operating expenditure, but the payment of these costs represents a benefit (i.e. a welfare transfer) from AQUIND to taxpayers in GB and France.

France

In France, AQUIND's converter station and its compound and associated infrastructure will be subject to a number of taxes that arise from the fact of owning such physical assets and, in the case of IFER, additional taxes relate specifically to electricity transmission installations. AQUIND has obtained tax advice in respect of those taxes, but at this stage, any estimate of taxes is provisional.

The taxes are distributed locally – between a local commune, a Terroir de Caux, Department (Seine Maritime) and Normandy region in different proportions, depending on the tax and the exact location of the installation, as well as regional regulations. The level of tax rates of the real estate tax and CFE also differs depending on the commune.

AQUIND's tax contributions represent a significant public benefit in these regions. Additionally, AQUIND's local investment in the region facilitates the creation of more tax revenues in locations that are involved in significant developments.

In Schedule A below, we provide our estimate of AQUIND's contribution to local tax revenues to the commune of Varneville-Bretteville, on the edge of which the converter station will be located. AQUIND estimates this tax contribution will be approx. €4.6m per year, which we have used as the basis of our NPV estimate of contribution to local taxes in this Request for Exemption.

Great Britain

Business rates

In GB, AQUIND is also subject to business rates based associated with its converter station infrastructure. Commercial owners or occupiers of properties in England are required to pay business rates,¹ which are a form of taxation and established on the basis of the rateable value of the property. Business rates are estimated on the basis of the open market value of a property by the Valuation Agency Office. Since AQUIND's converter station will be a bespoke asset, it is difficult to accurately determine the market value of this prior to the final stages of procurement. The closest precedent is the rateable value of the IFA converter station in England, which will pay this year £2,045,950 in business rates. It is assumed that similar or higher value may be attributed to the AQUIND converter station near Lovedean substation as the two interconnectors will have the same MW capacity. AQUIND is currently seeking advice in respect of the business rates applicable to the GB part of its infrastructure, however the estimate of the rateable value would be provisional and, among other things, may depend on the outcome of the Request for Exemption and regulatory treatment in GB. The rateable value depends on the revenue potential of the Project, which itself is determined by the regulatory arrangements for the project.

¹ <https://www.gov.uk/introduction-to-business-rates>

The Crown Estate License Fee

In order to be able to install cables on and under the seabed within the UK Territorial Waters (within 12 nautical miles from the UK shore), AQUIND has entered into an *Option Agreement for License relating to Interconnector Cable (and Fibre Optic Cables) coming onshore at Eastney, Portsmouth*, with Her Majesty the Queen and The Crown Estate Commissioners. According to the conditions of the License, AQUIND will be liable to pay an annual fee, the amount of which is linked to the economic value of AQUIND Interconnector. However, the precise amount of the fee is confidential under the conditions of the Option Agreement. For the purposes of this Request for Exemption, the amount of the Crown Estate fee and the business rate is aggregated into a single estimate.

The fees are subject to upward indexations and market reviews within the period of the license.

The surplus revenue of the Crown Estate are remitted to the Exchequer in accordance with the Crown Estate Act 1961.² The Crown Estate fees have the same re-distributional effect as AQUIND's other tax contributions, i.e. they represent a welfare transfer from AQUIND to UK taxpayers.

² See <https://www.thecrownestate.co.uk/en-gb/our-business/our-structure-and-governance/>

Schedule A - French local taxation - estimates

	Asset value (€)	Rate (%)	Gross taxable value (€)	Allowance ³ (€)	Final taxable value (€)	Tax rate (%) / taxable items (#)	Tax payable (€/year)
<i>Calculations performed</i>			= Asset value * Rate	Reduction in Gross taxable value	= Gross taxable value - Allowance		= Final taxable value * tax rate or taxable items
Varneville							
Taxe Fonciere	101,000,000	8.0%	8,080,000	4,040,000	4,040,000	41.30%	1,668,520
CFE	101,000,000	8.0%	8,080,000	2,424,000	5,656,000	13.43%	759,601
CVAE					75,000,000	1.5%	1,125,000
IFER					148,111	7	1,036,777
TOTAL							€ 4,589,898

Notes:

Taxe fonciere (Real estate tax) - the taxable basis is the net rental value of the fixed assets after application of 8% factor to the gross cost price of the fixed assets and an allowance of 50%.

The value of the fixed assets (earthworks, internal roads and pathways, buildings, metal retaining structures permanently fixed to the ground etc) for the purposes of the tax is assumed at €100m, which is a fair estimate of the "civil" part of the converter constructions works on the French side, and the value of land - €1m and it is subject to adjustments at the end of construction.

CFE - the taxable basis is the net rental value of the fixed assets after application of 8% factor to the gross cost price of the fixed assets and an allowance of 30%

CVAE - the taxable basis is the revenues minus certain operating expenses, which is being further assessed, but certain assumptions are made. For the calculation purposes at this stage the French share of taxable revenues is assumed at €75m or at approximately the cap level under the proposed regime in France. It is also not certain at this stage how the French tax law will correlate with the French regulatory regime and AQUIND will seek further clarity from the French tax authorities once there is further progress on this Request for Exemption.

IFER - the taxable basis is the number of transformers, i.e., 7 transformers with the rated power in excess of 350kV in the Project (6 operating transformers + 1 spare transformer).

Some temporary local exemptions are not taken into account as they are short-term and it is not clear if they would still be applicable post-construction.

³ The allowance is 50% for tax fonciere and 30% for CFE.