

Questions and Answers on the 3rd call for large-scale projects under the EU Innovation Fund

1. *What is the structure of the 3rd large-scale call?*

The call will have dedicated topics with earmarked budgets as follows:

- Topic 1: **General decarbonisation** (topic “GENERAL” in EU Funding & Tenders Portal) - €1 billion available to all projects eligible for the Innovation Fund except the projects which have dedicated topics (2,3,4);
- Topic 2: **Innovative electrification in industry and hydrogen** (topic “INDUSTRY-ELEC-H2” in EU Funding & Tenders Portal) - €1 billion;
- Topic 3: **Clean-tech manufacturing** (topic “MANUFACTURING” in EU Funding & Tenders Portal) - €0.7 billion;
- Topic 4: **Mid-sized pilots** (topic “PILOTS” in EU Funding & Tenders Portal): €0.3 billion

Topics 2, 3 and 4 have been specifically created to support the objectives of REPowerEU and help accelerate the EU’s move away from Russian fossil fuels.

2. *What is the Innovation Fund doing to respond to the energy crisis?*

The Commission recognises the urgency to implement the [REPowerEU Plan](#) and has adapted the Innovation Fund accordingly. The topics ‘*manufacturing*’ and ‘*electrifying industry and hydrogen*’ are integral to the ambitions of REPowerEU Plan. In the *manufacturing* topic, the production of innovative components needed for renewable energy, electrolysers, heat pumps and energy storage will be stimulated. In the *electrifying industry and hydrogen* topic, the industry is directly stimulated to become less gas-dependent by helping it transition to electrical and hydrogen usage.

To ensure that projects under these two topics are ready to use the grant to test the scaling up of their production in a short term, the criteria of ‘project maturity’ will have a higher weight compared to the other criteria. As a result, the most mature projects are likely to be more successful and should be ready to enter into operation sooner and thereby speed up Europe’s clean energy transition. Projects could be operational as early as in 2025.

3. *Is the €3 billion of the large-scale call the same 3 billion that was intended for the EU Hydrogen Bank?*

No. In the [REPowerEU Plan](#), the Commission announced it would double the budget of the upcoming Innovation Fund large-scale call and include dedicated REPowerEU topics. This call takes place under the current ETS directive. Out of the €3 billion budget of the new call, three additional REPowerEU topics will directly support hydrogen along the value chain: “electrification and hydrogen production and use in

industry” with a dedicated budget of €1 billion, “clean-tech manufacturing of key components for renewable energy, energy storage and renewable hydrogen” with a budget of €700 million, and finally deep-decarbonisation “mid-sized pilots” with a budget of €300 million.

Projects awarded Innovation Fund grants will help demonstrate that renewable hydrogen is ready for commercialisation and has a business case. The topics can support the whole renewable hydrogen supply chain and demand sectors.

This is different from the “EU Hydrogen Bank” announced in this year’s State of the Union speech. Following the [proposal for the revision of the EU ETS Directive](#), currently in negotiations between the Council of the EU and the European Parliament, the Commission has been working on developing auction mechanisms under the Innovation Fund. In the REPowerEU Plan, it was announced that first auctions will focus on hydrogen production and hydrogen-based production processes to support industry decarbonisation, e.g. in steel and chemicals, under the revised EU Innovation Fund. The future auctions will bring hydrogen a step further in the direction of full roll-out by the private sector in the EU. Such auctions under the umbrella of the Innovation Fund are currently considered as a main implementation option for the domestic side of the “Hydrogen Bank”.

The auctions would de-risk and thus improve the bankability of hydrogen projects, provide a strong push to market creation and price discovery, whilst ensuring competition on EU-level and avoid over-subsidising projects. The Commission, within the Directorate-General for Climate Action, is holding [stakeholder engagement workshops](#) on the hydrogen auctions design on 21 November.

4. Which projects does the Commission seek under the topic of ‘innovative electrification in industry and hydrogen’?

Two different activities are eligible under this topic:

A) activities that support the innovative direct electrification of industry

B) activities that support innovation in the production of hydrogen and applications of hydrogen in industry.

Under A), innovative electrification methods to replace fossil fuel use in industry are eligible – both cross-sectoral applications (e.g. electromagnetic heating, plasma furnaces, power-to-heat) and sector-specific applications (e.g. in chemicals, glass or ceramics production). The [call text](#) provides examples but not an exhaustive list of technologies/applications.

Under B), there can be two kinds of eligible projects:

B.1) projects whose innovation is in the use of non-fossil hydrogen in industry processes;

B.2) projects whose innovation is in the production of the renewable hydrogen.

Projects whose main innovation is in the use of renewable hydrogen in transport or buildings, power generation or combined power and heat are not eligible under this topic and they should apply to the GENERAL topic.

5. Does the Innovation Fund support projects involving natural gas?

The Innovation Fund does not support the use, transport or production of natural gas. It does support innovative CCS (carbon capture and storage, involving the permanent storage of CO₂ in geological formations) and CCU projects (carbon capture and use, involving the reuse of CO₂ to produce low carbon materials or fuels). This CO₂ may originate from natural gas, or other fossil fuels.

6. Why is the Innovation Fund supporting end-of-pipe technologies like CO₂ capture, utilisation and storage (CCUS)?

The Innovation Fund is technology neutral: the projects that score the highest in the evaluation process within the available call budget are selected, regardless of the technology they use, so long as it is an innovative technology that is scalable and has potential to avoid GHG emission.

There are industries such as the cement sector where capturing the CO₂ is one of the very few potential technologies to achieve high GHG emission reductions. In addition, applying CCUS on bioenergy projects has the potential to deliver net carbon removals, which will be needed to compensate for residual emissions from transport and agriculture in order to reach climate neutrality by 2050.

7. When is the next large-scale call scheduled and which are the results from previous calls?

The Innovation Fund is one of the world's largest funding programmes for the demonstration and commercialisation of innovative low-carbon technologies. Financed by revenues from the auctioning of allowances from the EU's ETS, it has already held two large-scale calls awarding €1.1 billion and €1.8 billion in grants to 7 and 17 projects respectively. See the [Innovation Fund Project Portfolio Dashboard](#).

The European Commission aims to open a new large-scale call in late autumn 2023.

[Press Release](#)