



# Innovation Fund

Call for small-scale projects

21 October 2020



# Agenda

Introduction

Award  
criteria

Selection  
process

Project  
Development  
Assistance

Grant  
disbursement

Knowledge  
Sharing

Timing of  
Call

Call for  
Project  
Evaluators

Next steps

# Small-scale projects compared to large-scale projects in the Delegated Regulation

	Large-Scale	Small-Scale
<b>Size of projects</b>	> € 7.5M CAPEX	< € 7.5M CAPEX
<b>Eligible activities</b>	<ul style="list-style-type: none"> <li>- Energy intensive industry,</li> <li>- Renewables,</li> <li>- Storage</li> <li>- CCUS</li> </ul>	<b>Same</b>
<b>Application process</b>	Two stages	<b>Single stage</b>
<b>Selection criteria</b>	<ul style="list-style-type: none"> <li>- GHG emission avoidance</li> <li>- Degree of Innovation</li> <li>- Project maturity</li> <li>- Scalability</li> <li>- Cost efficiency</li> </ul>	<b>Same</b>
<b>Grant amount</b>	<ul style="list-style-type: none"> <li>- Up to 60% of additional costs</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Up to 60% of total CAPEX</b></li> <li>- Max grant = 60% of € 7.5 M = € 4.5 M)</li> </ul>
<b>Grant disbursement</b>	<ul style="list-style-type: none"> <li>- 40% at financial close</li> <li>- 60% dependent on delivery of GHG emission avoidance</li> </ul>	<b>Same</b>
<b>Project Development Assistance (PDA)</b>	<ul style="list-style-type: none"> <li>- Yes</li> </ul>	<b>Yes</b>

# Proposed first call for small-scale projects

## Call volume

- € 100 million

## Call dates

- Launch on 1 December
- Submission deadline on 10 March

## Focus

- Innovative projects ready for market entry
- Avoid overlap with other EU programmes

## Award criteria

- Simplified methodologies and requirements
- More weight on innovative projects that are market ready

## Grant disbursement

- Quicker grant disbursement within 3-year reporting period (instead of 10 years with large-scale projects)

# Designing the small-scale call to avoid overlap with other EU programmes

	Life programme (climate change – traditional projects)	EIC accelerator	Innovation Fund call for small- scale projects
<b>Focus</b>	<ul style="list-style-type: none"> <li>Aimed at earlier-stage demonstration and pilot projects</li> </ul>		<ul style="list-style-type: none"> <li>Market entry, e.g. first-time project implementation with “pioneer” customers</li> </ul>
<b>Grant size</b>	Average ≈ €1.5mn	Max. €2.5mn	<ul style="list-style-type: none"> <li>Setting a minimum project size of €2.5 mn CAPEX</li> <li>This means a minimum grant of €1.5 mn (= 60% of €2.5 mn)</li> </ul>

# Innovative small-scale projects ready for market entry



## Pioneer Customer(s)

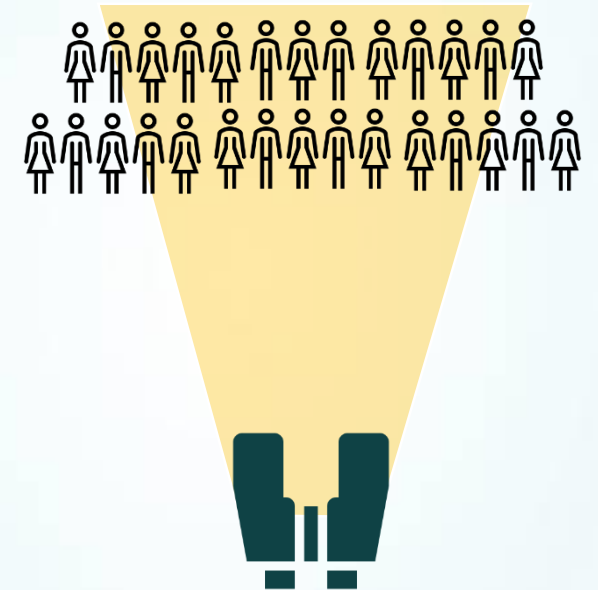
Installation of an innovation in a new “pioneer” market with a “pioneer” customer.

- *You have an exciting new technology but need a market*
- *Include the customer(s) in your application*

think of

- *Battery solutions*
- *Hydrogen fuel cells powered data centres*
- *climate neutral public buildings: renewable energy, energy storage and substitute materials pilot buildings*

examples



# Award Criteria

## GHG emissions avoidance

- Absolute and relative emissions
- Below ETS benchmark
- Biomass sustainability

**Simplified methodologies**

## Innovation

- Beyond state-of-the-art
- Beyond incremental innovation

**Encouragement of specific activities**

## Project maturity

- Implementation maturity
- Financial maturity

**Fewer requirements on documentation**

## Scalability

- Project and regional level
- Sector level
- Economy wide

**No knowledge sharing plan**

## Cost efficiency

- Relevant cost = total project CAPEX
- EU contribution requested per tCO<sub>2</sub> avoided

**Simpler calculations**

# GHG Emission Avoidance

<b>Sub-criteria</b>	<b>Description</b>
<b>Absolute GHG emission avoidance</b>	The difference between the expected GHG emissions of the project and the GHG emissions in the reference scenario during 10 years after entry into operation.
<b>Relative GHG emission avoidance</b>	The absolute GHG emission avoidance of the project divided by the GHG emissions in the reference scenario.



# GHG emission avoidance calculations (1/3) envisaged improvements and simplifications

## *General*

- Clearer guidance on choice of sector and examples especially for cross-sectoral and hybrid projects, projects with multiple products
- Improved references and direct links to legislation and literature
- Shorter timeframe for monitoring: the default monitoring period would be reduced to 3 years, instead of the standard 10 years for large-scale, after entry into operation.

## *Energy intensive industries*

- Provide data tables of input emission intensities derived from the sources in the data hierarchy
- More detailed guidance on building the reference scenario based on EU ETS product benchmarks and sub-installations, examples, reference values for key products (e.g. polyethylene as high value chemicals benchmark plus sub-installations; combining the fossil fuel comparators with an energy efficiency ratio as the reference for hydrogen used in transport)

# GHG emission avoidance calculations (2/3) envisaged improvements and simplifications

- Investigate the possibility of tabulating derived 'sub-benchmark' values for specific products within the product mix of existing EU ETS benchmarks, e.g. for ethylene, propylene, acetylene, butadiene, benzene
- Lesser requirements for alternative reference scenarios when the reference scenario cannot be constructed from EU ETS benchmarks
- A summary document describing the ETS MRV requirements as they should be applied to the process emissions calculation
- Allowing applicants to use the ETS MRV rules for category A installations (annual emissions  $\leq$  50 ktCO<sub>2</sub>e)
- Set an alternative absolute threshold for *de minimis* emissions (e.g. 10 tonnes of CO<sub>2</sub>e per year)

# GHG emission avoidance calculations (3/3) envisaged improvements and simplifications

## *Carbon capture and storage*

- Emissions due to transportation can be disregarded if distance between the point of capture of the CO<sub>2</sub> and the storage does not exceed 5,000km

## *Renewable electricity and heat*

- GHG emissions due to purchased electricity and fossil fuel consumption in stationary machinery and on-site vehicles at the project site(s) can be disregarded

## *Energy storage*

- On-site fugitive emissions and those from energy use other than energy storage can also be disregarded
- No need to calculate reference emissions related to the provision of auxiliary services to the grids: but such additional services can be considered under degree of innovation

# Degree of Innovation

Project goes beyond state of the art

- First-of-a-kind commercialisation or commercial size demonstration of processes previously proven at pilot, or demonstration plants.

Project goes beyond incremental innovation

- Proposed technology or product or business model goes beyond minor changes made to existing products, processes or business models

Specific activities encouraged

- Direct air capture
- Net carbon removals
- Substitute products

NEW !!

# Degree of Innovation – encouraging specific activities



## Substitute Products

Low-carbon options to replace carbon-intensive materials in hard-to-abate sectors.

- *zero-carbon products*
- *circularity products*
- *carbon sink materials that can also store CO2 inside*

think of

- *substitute building materials e.g. using fly ash and CO2 to substitute cement and bricks*
- *pre-fabricated buildings from construction demolition waste to substitute cement and steel*
- ***hemp insulation instead of mineral wool***
- *carbon fibre as aluminium and steel replacement*

examples

# Degree of Innovation – encouraging specific activities



## Direct Air Capture (DAC)

DAC activities that help stimulate the construction and operation of projects, combined with storage or use (within the IF application or outside)



think of

examples

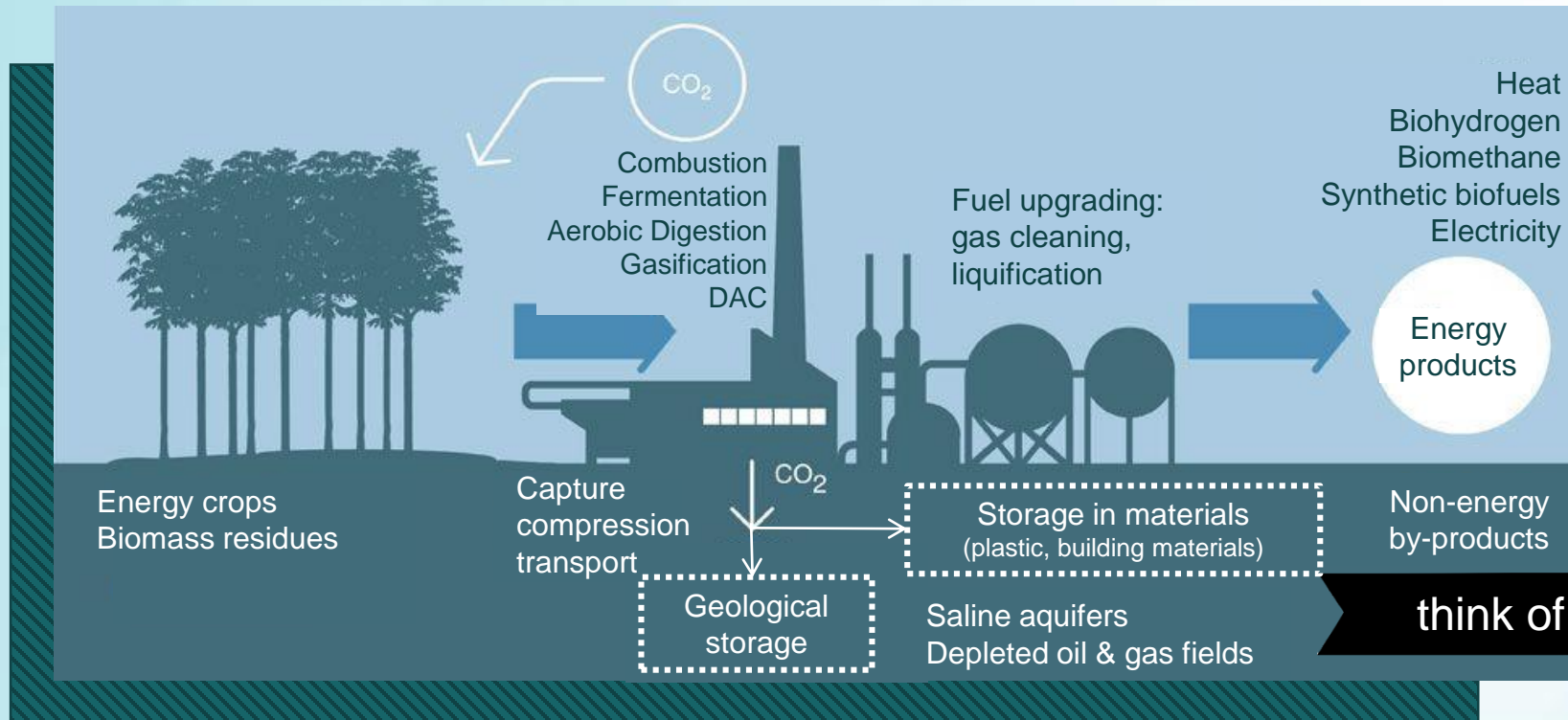
- *DAC & blending captured CO<sub>2</sub> with other molecules to turn it into fuels/ materials*
- *DAC & storing captured CO<sub>2</sub> in geological formations*

# Degree of Innovation – encouraging specific activities



## Negative Carbon Removal

Negative emission technologies that offset GHG emissions



# Project Maturity

## Implementation maturity

- Technical feasibility
- Credibility of implementation planning
- Project team
- Permitting procedure, public acceptance where relevant
- **Contracts with customers**

## Financial maturity

- Viability of financial plan and bankability
- Soundness of financial model

### Proposed simplifications:

- Only two sub-criteria
- Lower requirements on documentation
- No project implementation plan



# Scalability

## Project and regional level

- Expansion at project site and possible transfer to other sites
- Cooperation with other actors of the regional economy
- Knowledge sharing, communication and dissemination

## Sector level

- Extent to which the technology of the project can be applied within the sector and the expected emissions avoidance
- Expected cost reductions and resource constraints

## Economy-wide

- Extent to which the technology of the project can be applied across the economy
- Potential to create new value chains or reinforce existing ones

**Proposed simplification:**  
No knowledge-sharing (KS) plan required

# Cost efficiency =

**Relevant costs less contribution  
by project applicant**  
*Max 60% of relevant costs*

=

**Absolute GHG emission  
avoidance**

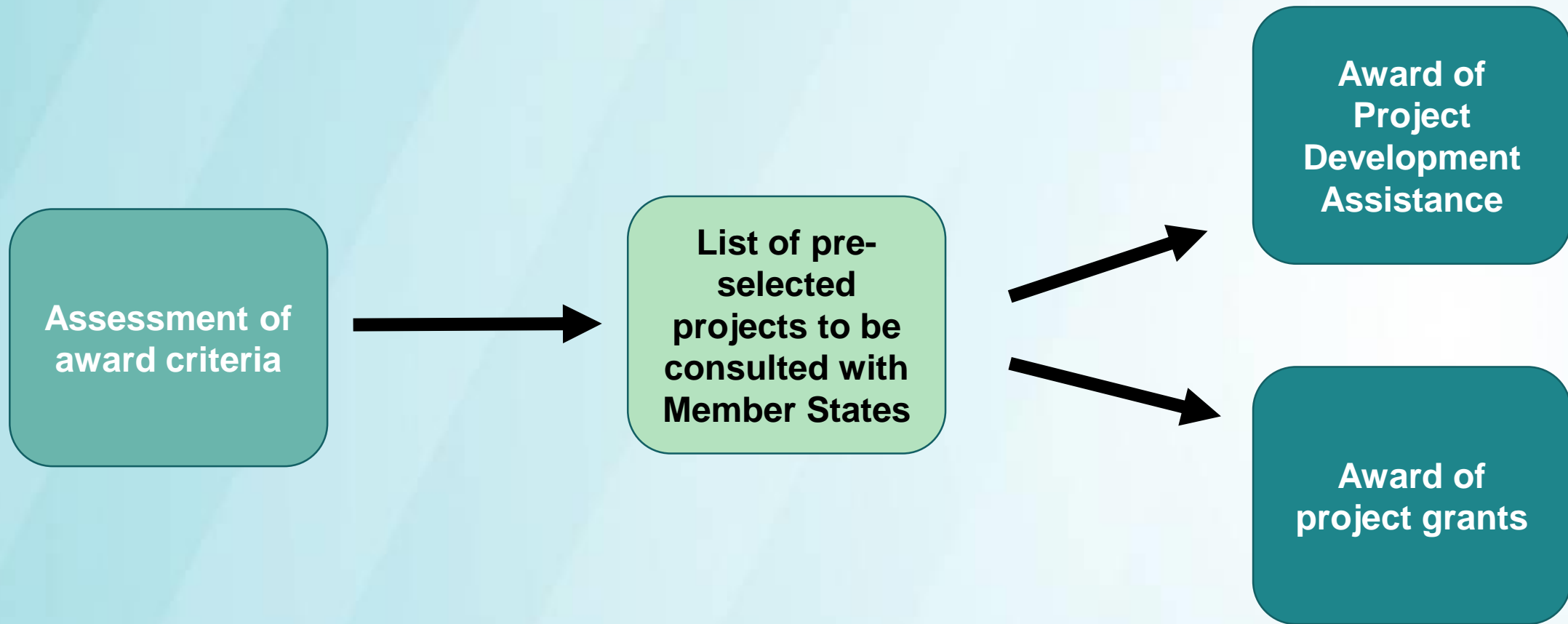
During 10 years after entry into operation

**Relevant costs = total  
capital expenditure  
(CAPEX) of the project**

(eg. construction costs, site infrastructure; development costs; Intangible assets)

- **Maximum of €7.5 M CAPEX**
- **CAPEX to be certified by independent auditor**

# Selection process: overview



# Proposal for higher weighting of innovative projects ready for market entry

	Large-Scale	Small-Scale
<b>Weighting of award criteria</b>	No weighting (weight 1 for all)	<ul style="list-style-type: none"><li>• <b>Weight for Degree of Innovation and Project maturity = 2</b></li><li>• <b>Weight for remaining criteria = 1</b></li></ul>
<b>Rules in case of tie (=equal number of points)</b>	<ol style="list-style-type: none"><li>1) Higher ranking in degree of innovation</li><li>2) Higher ranking in GHG emissions avoidance</li><li>3) Geographical balance</li></ol>	<ol style="list-style-type: none"><li>1) <b>Geographical balance</b></li><li>2) <b>SMEs</b></li><li>3) <b>Gender balance</b></li></ol>

# Project Development Assistance (PDA)

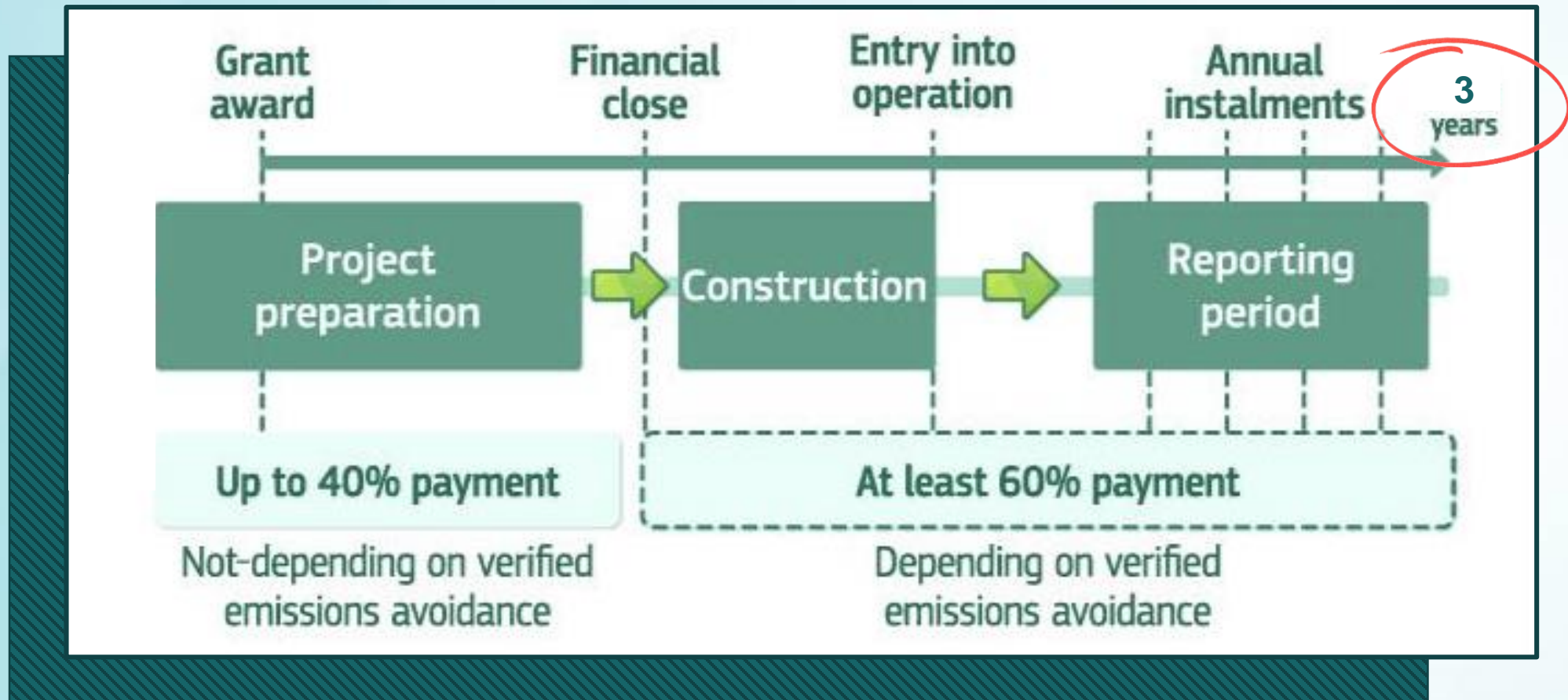
When can projects benefit from PDA?

- After the evaluation, rejected projects that:
  - Meet the minimum requirements for Degree of Innovation and GHG emissions avoidance
  - Are awarded at least 50% points under project maturity criterion
  - Are considered by evaluators as having potential to improve their maturity with PDA
  - Are confirmed by the EIB as shortlisted projects for the PDA

How does it work?

- The PDA support consists of the **EIB expert services** for further development of projects
- Managed separately under project - specific contract with the EIB
- Subject to Commission Award Decision
- **Cca 20 projects** could benefit from the PDA in this call

# Proposal for quick grant disbursement within 3 years reporting period



# Knowledge Sharing

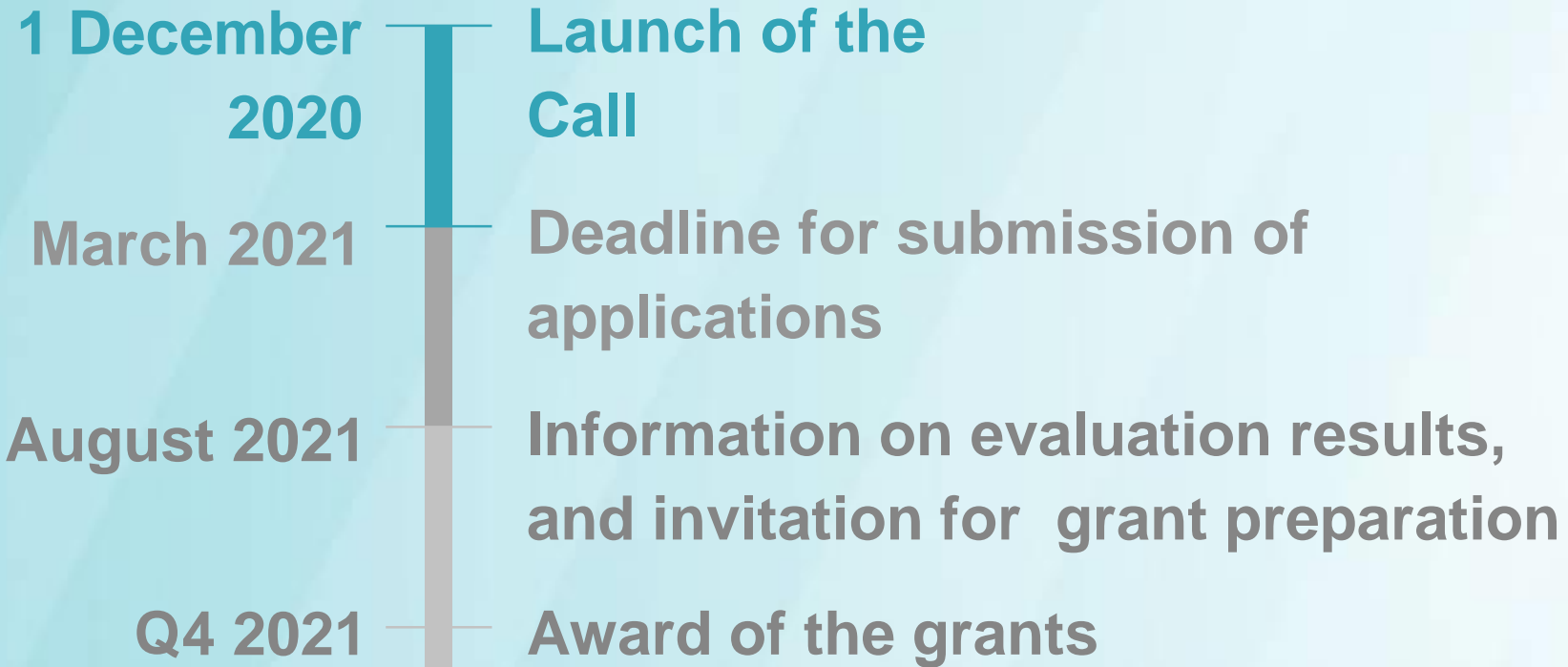
## Reporting on knowledge gained

- 3 knowledge sharing reports, including communication and dissemination activities:
  - at financial close
  - at entry into operation
  - before final payment
- Participation and contribution to Innovation Fund knowledge sharing activities
  - Closed-door sector events
  - General conferences

## Confidentiality

- Confidential (sensitive) information shared by the beneficiaries will be fully preserved
- Only anonymised and aggregated information will be shared with the public
- No information will be disclosed which could lead to the reverse-engineering of the beneficiaries' technology or prejudice their ability to obtain patent or other registered intellectual property right protection
- Fair competition will be safeguarded during knowledge-sharing activities

# Time Plan





# Join us as project evaluator!



**Technical experts**



**Financial experts**



**Legal experts**

- **Individual** evaluation
  - 5 working days during November and December
  - To be organized fully remotely from your office or home
  - Can be performed during weekends and evenings
- **Consensus group** –
  - Full week of discussion with other fellow evaluators in January 2021
  - Either in Brussels or virtually
- Up to € 5000 compensation OR pro-bono
- **Confidentiality and conflict of interest rules apply**

# Outreach & Upcoming events

Encourage cooperation and synergies with national focal points of other programmes (Horizon Europe, LIFE...)

**19 November**

Conference on small-scale projects

**1 December**

Launch Innovation Fund call for small-scale projects

**Q1 2021**

Webinar(s) on small-scale call

# THANK YOU