

Spanish Magnesia Sector answer

Public consultation on the Establishment of the Innovation Fund

Fields marked with * are mandatory.

Public Consultation on the Establishment of the Innovation Fund

The EU emissions trading system (ETS) [after 2020](#) foresees the establishment of the Innovation Fund to accelerate the commercialisation of low-carbon technologies. 400 million allowances will be reserved from 2021 onwards for this purpose. In addition, a further 50 million of unallocated allowances from 2013-2020 will be added, together with, as early as 2019; any possible un-used or remaining funds from the [NER 300 Programme](#). Further 50 million allowances could be added to the fund post 2025, if these are not used for free allocation to industry.

The Fund will support innovation in low-carbon technologies, processes and products in industrial sectors listed in Annex I of the EU ETS Directive. The Fund should stimulate the construction and operation of projects that aim at the environmentally safe capture, use of CO₂ (CCU) and its geological storage (CCS), as well as innovative renewable energy and energy storage technologies in the territory of the European Union. Technologies receiving support should not be commercially available yet, but shall be sufficiently mature to be ready for demonstration at pre-commercial scale.

Furthermore, the ETS Directive sets a number of key features of the Innovation Fund:

1. Up to 60% of the relevant costs of projects may be supported,
2. Project selection will be done based on objective and transparent criteria, including, among others, the potential for emission reductions, potential for wide application or significant lowering of transitioning costs towards a low-carbon economy in the concerned sectors,
3. Technologies to be supported are not yet commercially available, but represent breakthrough solutions or are sufficiently mature to be ready for demonstration at pre-commercial scale,
4. Up to 40% of the Innovation Fund's support for eligible projects (that is up to 24% of projects' relevant costs) may be pre-financed (may not depend on achieved reduction of greenhouse gas (GHG) emissions) provided that pre-determined project milestones are met,
5. Projects in all Member States, including small-scale projects, are eligible to apply.

During the first half of 2017, the European Commission hosted a series of stakeholder consultations with representatives from energy-intensive industries, the energy and finance sectors. The [resulting summary report](#) points to over 80 potential technologies, including cross-cutting innovations, such as CCUS, green hydrogen or energy storage.

This public consultation will gather the views of the wider public on additional, more detailed, design elements of the Innovation Fund, as an input to the Impact Assessment accompanying the Commission's proposal for a delegated act.

The questionnaire is divided into 6 sections. Section 1 relates to the identification of the respondent and is obligatory for all respondents. The following multiple choice questions in Sections 2-5 relate to key elements identified in the [Inception Impact Assessment](#) for the Establishment of the Innovation Fund. An open question at the end of each Section allows complementing any of the previous answers. Section 6 allows providing additional comments and uploading supporting documents.

A short summary of the key design elements and the related problems identified is provided at the beginning of each section.

General information about respondent

***1. In what capacity are you completing this questionnaire?**

As an individual in your personal capacity

☒ In your professional capacity or on behalf of an organisation

***2. Please indicate your First name:**

MORA

Text of 3 to 200 characters will be accepted

***3. Please indicate your Last name:**

PEDRO

Text of 3 to 200 characters will be accepted

*** 4. Please indicate the name of your company, organisation, or institution (if your organisation is registered in the Transparency Register, please give your Register ID number) :**

Text of 3 to 200 characters will be accepted

MAGES (Asociación Española de Fabricantes de Magnesita)

030092221347-76

If your organisation is not registered, you can [register now](#). Please note that contributions from respondents who choose not to register will be processed as a separate category 'non-registered organisations/business'.

5. Contact email address:

The information you provide here is for administrative purposes only and will not be published

pmora@oficemen.com

*** 6. For individuals, please indicate your country of residence, for professionals, please indicate your main country of operations/headquarters :**

Austria	Finland	Lithuania	Slovenia
Belgium	France	Luxembourg	<input checked="" type="checkbox"/> Spain
Bulgaria	Germany	Malta	Sweden
Croatia	Greece	The Netherlands	United Kingdom
Cyprus	Hungary	Poland	Other
Czech Republic	Ireland	Portugal	
Denmark	Italy	Romania	
Estonia	Latvia	Slovakia	

** If other, please specify:*

Text of 3 to 200 characters will be accepted

*** 7. Please indicate the type of organisation (please select the option that fits the best):**

Private enterprise

Professional consultancy, law firm, self-employed consultant

☒ Trade, business or professional association

Non-governmental organisation, platform or network

Research and academia

Social partners

National, regional or local authority (mixed)

Other

** If other, please specify:*

Text of 3 to 200 characters will be accepted

*** 8. Please indicate the size of your company, organisation or institution:**

a) ☒ Micro or small enterprise (10-49 persons employed)

b) Medium-sized enterprise (50-249 persons employed)

c) Large enterprise (250 or more persons employed)

***9. To which category of stakeholders does your organisation belong?**

a) Potentially directly benefiting from the initiative (energy intensive industries, in particular steel, iron, aluminium, copper, oil refining, chemicals & bio-based industries and pulp & paper, cement, lime, glass & ceramics, renewable energy generation and storage, and industries/power plants utilising CCS/CCU)

b) Indirectly benefiting from the Initiative (EU/National Industry associations, Environmental NGOs, National/Regional authorities and EU institutions; European Investment Bank/international or national financial institutions; Member States)

c) Other

** If other, please specify:*

Text of 3 to 200 characters will be accepted

*** 10. Please indicate your preference for the publication of your response on the Commission's website:**

(Please note that regardless of the option chosen, your contribution may be subject to a request for access to documents under [Regulation 1049/2001](#) on public access to European Parliament, Council and Commission documents. In this case the request will be assessed against the conditions set out in the Regulation and in accordance with applicable [data protection rules](#).)

x Under the name given:

I consent to publication of all information in my contribution and I declare that none of it is subject to copyright restrictions that prevent publication

Anonymously:

I consent to publication of all information in my contribution and I declare that none of it is subject to copyright restrictions that prevent publication

Eligibility criteria

The Innovation Fund will support deployment of innovative renewable energy technologies and industrial break-through innovation in low-carbon technologies and processes in the European Union. The energy intensive industries to be covered are those in the Annex 1 to the ETS Directive, concretely: ferrous metals, non-ferrous metals, cement and lime, glass and ceramics, chemicals, oil refining, pulp and paper, including potential application of environmentally safe CCU technologies in these industries, that would substantially contribute to climate change mitigation. The renewable energy sectors to be covered comprise innovative production from: wind, ocean, geothermal, biomass and solar sources. In addition, energy storage and CCS are also eligible.

The Innovation fund will be designed to help innovative projects to cross the "valley of death" and reach commercial viability.

Eligible projects should contribute substantially to climate change mitigation through a significant reduction of GHG emissions.

11. Which are the five most important highly innovative technologies in your view that will be key to decarbonise the industry and power sectors in the EU and therefore need to be demonstrated over the coming decade?

Text of 3 to 1000 characters will be accepted

As indicated above the energy intensive industries to be covered are those in the Annex1 to the ETS Directive that includes in addition to the indicated ones the calcination of dolomite or magnesite.

Key technologies to decarbonise the industry and power sectors in the EU are breakthrough technologies like carbon capture with storage and utilisation. Innovative low carbon technologies often face technological and financial challenges to overcome the valley of death. Therefore, there is a high need for large-scale CCS demonstration projects in order to break through. A significant increased resource and energy efficiency of process technologies, a sustainable energy supply and an effective carbon leakage prevention are also key technologies for the carbon neutrality.

The Magnesia Sector needs an innovation policy which provides clear incentives for breakthrough technologies for CO2 reduction in a cost-effective way. But even with the most efficient processes, a part of the CO2 emissions linked to Magnesia Sector cannot be avoided because they are not linked to energy efficiency and are irreducible by their very nature "geogenic process emission".

For that the Magnesia Sector needs:

- an investment enhancing climate should encourage investments over long term (30 years) cycles in a capital intensive industry. Legal stability are key to achieve this goal,

- safeguards against price fluctuations in market based policy instruments; which objectives, if kept, should be clearly defined and not be prone to abuse for speculation purposes
- an innovation policy which provides clear incentives for breakthrough technologies in a cost-effective way.

The EU-ETS should play a role in making CCUS technologies increasingly competitive in the market. Within that context, policies aimed at promoting CCUS have to be accompanied by mechanisms which offset the costs for industries exposed to global competition whenever appropriate. Public financing aims at mitigating the financial risk involved and at providing incentives for private operators to engage in projects which would normally not be financed based on market returns on investment.

All policies which promote CCUS technologies will have to ensure that the total deriving costs for industry are minimised. Moreover, CCUS must be affordable and accessible to the largest possible number of industrial installations potentially concerned.

Please specify for your own sector (as indicated in the introduction above). Cross-sector technologies can also be included, if relevant.:

Text of 3 to 200 characters will be accepted

12. To apply to the Innovation Fund funding, should eligible technologies be defined?

a) Yes: Based on a pre-defined detailed list of eligible technologies per sector (as described in the introduction above), with a possibility of regular update (e.g. every 5 years);

b) No: Eligible technologies should not be pre-defined allowing for competition between projects and across sectors

c) Other

** If other, please specify:*

Text of 3 to 200 characters will be accepted

The InnovFund should focus on ETS direct emissions. Priority should be given to projects no able to benefit from other funds such as the Modernisation fund or the RFCS (Research fund for coal and steel) and for that industrial sectors with a high carbon intensity i.e. particularly those with the highest proportion of irreducible 'process' emissions over 50% of their direct emissions.

13. To ensure that the Innovation Fund would support innovative but realistic projects (i.e. those that would effectively materialize and reach market maturity), should its eligibility criteria set deadlines for reaching specified milestones?

X Yes

No|

** If yes, should these deadlines related to:*

a) Investment process (such as a signature of Financial Close documents)

b) Construction steps (such as commissioning of the construction)

c) other x

TRL-Levels (Technology readiness levels) should be considered as criteria, in a special field, improvement on the TRL-Level.

14. The revised ETS Directive agreement stipulates that small-scale projects can also be supported. To better define the scale of small-scale projects eligible for support of the Innovation Fund, should eligibility criteria set a minimum size for small-scale projects?

a) Yes

b) No ☒

** If yes, what would be the appropriate minimum size (in terms of total capital expenditure in EUR) in your area of expertise, which would allow funding of small-scale projects at EU-level? :*

Text of 3 to 200 characters will be accepted

15. If you wish, please provide additional comment(s) in more detail, focusing on elements related to eligibility criteria not mentioned in the answers above.

Text of 3 to 500 characters will be accepted

It is necessary to ensure that the Magnesia sector is within the scope of the Innovation Fund. The Innovation Fund should focus on technologies that allow direct CO2 emissions reductions but more specifically in that industrial operations with a high carbon intensity i.e. particularly those with the highest proportion of irreducible 'process' emissions over 50% of their direct emissions. This result indicates that it will be difficult for this sector to improve their emissions intensity to match the rate of decline of free allowances anticipated in phase 4 of the EU ETS, leading to exposure to a greater risk of CL. **The magnesia production processes deal directly with this particular type "geogenic process emission" which are unavoidable and impossible to reduce without reducing the production level.**

A similar system as the CPUP used for the NER 300 could be developed. It should be considered the public subsidy and the CO2 savings.

Type of support

The ETS Directive states that the Innovation Fund can provide support of up to 60% of the relevant costs of selected projects, out of which up to 40% may be pre-financed, provided that pre-determined milestones are attained. The majority of the Innovation Fund support (at least 60%) should be provided on the basis of verified (achieved) reduction of greenhouse gas (GHG) emissions, once projects are operational.

The Directive leaves room for modulation of maximum support rate (up to 60% of relevant costs) according to the project's technology risks, providing various forms of financial support such as grants, loans or equity, but also for covering specific type of costs (such as project development assistance along with the capital expenditure). This section therefore aims at collecting your views on the type of support the Innovation Fund should offer.

16. Should the maximum funding rate (i.e. up to 60% of relevant costs covered by the Innovation Fund as stipulated above) be:

a) Variable depending on the stage of technology development (and related technology risks)

b) Variable, based on a different approach, please specify

c) The same for all eligible projects

** If option b), please specify :*

Text of 3 to 200 characters will be accepted

17. Which form(s) of support should the Innovation Fund provide?

17.1 Which form of support do you consider most appropriate in relation to the stage of development?

Please rank from 1-5 (5 being most appropriate).

	Pilot production and demonstration (TRL* 6-7)	Initial market introduction (TRL 8)	Market expansion (TRL9)
Investment subsidies (grants)	5	1	1
Risk guarantees	3	3	3
Loans	4	5	4
Equity	2	4	5
Other (specify)	1	2	2

**TRL means Technology Readiness Level*

http://ec.europa.eu/research/participants/data/ref/h2020/other/wp/2016_2017/annexes/h2020-wp1617-annex-g-trl_en.pdf

17.2 Should eligible projects have a possibility to combine the above forms of support during the projects' lifecycle? Please specify and provide more detailed explanation for your answer above.

Text of 3 to 500 characters will be accepted

Yes, grants and loans (during pilot production and demonstration).

17.3 Should the Innovation Fund also provide specific project development assistance? If so, please rank the relevance, according to your assessment, of pre-feasibility studies, cost-benefit analyses and related work-streams, human capacity building and others (4 being most important):

Technical pre-feasibility studies

Financial analysis and plans

Capacity building

Others

** If others, please specify:*

Text of 3 to 200 characters will be accepted

The InnovFund should support knowledge transfer and best practices sharing to relevant stakeholders

18. Up to 40% of the Innovation Fund support may be pre-financed, provided that pre-determined milestones are attained. In your view, how should such milestones be defined?

a) According to the investment process (i.e. project launch, financial close, commissioning, operation);

b) Linked to specific construction phases (i.e. first procurement for plant parts signed, physical construction finalised, operation);

c) Other

** If other, please specify :*

Text of 3 to 200 characters will be accepted

19. What are in your view the most important lessons learned from the monetisation of NER300 allowances / key aspects to be considered when deciding about the modalities, in particular the timing, of monetising the allowances available for the Innovation Fund? *Text of 3 to 1000 characters will*

Flexibility regarding the monetisation of funds: Under NER300, the auctioning of the allowances was regulated quite strictly, which meant the European Investment Bank (EIB) had to auction 200 million when the EUA price was very low. In order to maximize the auction revenues, there should be as much flexibility as possible in the number of allocation rounds and allowance auctions.

Unspent NER funds must be solely reserved for the future Innovation Fund. Furthermore for the NER 300 remaining funds and for the first projects of the Innovation Fund a first-come, first-served basis should be taken into consideration.

Last but not least, there should be an early access to the Innovation Fund i.e. ASAP and surely before 2020. That first call should be managed on a first in first serve basis.

20. If you wish, please provide additional comment(s) in more detail focusing on elements related to the type of support criteria not mentioned in the answers above.

Text of 3 to 1000 characters will be accepted

Due to the lack of a commercial case the number of carbon capture and storage installations constructed with NER 300 was much lower than expected. It is important with the Innovation Fund to focus on energy intensive industries and the CO2 capture process. In parallel, one should demonstrate safe and reliable underground storage of CO2. Therefore, we recommend dislinking carbon capture and storage/ reuse.

A greater share of the Innovation Fund has to be directed toward industrial operations with a high carbon intensity i.e. particularly those with the highest proportion of irreducible 'process' emissions. Especially these sectors demand support to further invest in R&D in breakthrough technologies, such as reuse or valorisation of captured carbon. Financial incentives in industrial sector from governments are critical to the development and operation of CCUS. They must enable the host project to achieve its commercial goals. Moreover, potential project developers must see government financial incentives as predictably available for use throughout the planning, construction and operating periods where they will be used for a project.

Application and Selection procedure

According to the ETS Directive on the selection procedure, "Projects shall be selected on the basis of objective and transparent criteria." In addition, projects should deliver material GHG emissions reductions, well below the ETS benchmarks (where applicable), and have potential for wide application and lowering the costs of transitioning towards a low carbon economy for the sectors covered.

21. How should the application process be organized?

a) on a first-come, first-served basis

b) through regular calls, at pre-defined dates

c) other

** If other, please specify :*

Text of 3 to 200 characters will be accepted

Other. Normally through regular calls (b). However, for the NER 300 remaining funds and for the first call on a first-come, first-served basis (a).

22. How many stages should the application process have?

- a) a single-stage application process, requiring applicants to submit the full project documentation by a given deadline
- b) two-stage process consisting of expression of interest (based on a less than 10 page concept note) followed by the screening of pre-selected applications (based on complete project proposals)
- c) Other

* If other, please specify :

Text of 3 to 200 characters will be accepted

No clear preference for option a) or b). A simple two-stage process with multiple competitive calls would probably help in reducing oversubscription

23. What should be the optimal mix of project selection criteria, taking into account the key requirements set by the ETS directive? Please rank in the order of importance (0 being least important).

	<i>Ranking (0 - 6)</i>	<i>Comments (if non put N/A)</i>
Innovativeness	1	Real Breakthrough technologies
Decarbonisation potential / contribution to emission reductions	6	Focus on CCS and RES technologies on a commercial scale within the European Union.
Expected performance (i.e. Cost per unit of performance)	4	N/A
Project viability/ bankability/ robustness of the business model	3	N/A
Cross-sector spill-overs / cooperation	2	N/A
Scalability/ potential for widespread application	5	N/A
Other, please specify	0	

24. Should there be a mechanism to ensure a balanced portfolio of projects?

a) yes, with regard to sectors

b) yes, with regard to technologies

c) yes, with regard to sectors and technologies

d) No

* If yes, please provide suggestions on how this should be done.

Text of 3 to 200 characters will be accepted

There might be a need to decide on a minimum amount to be allocated to each energy intensive industry sector as to avoid all is used by one sector.

25. If you wish, please provide additional comment(s) in more detail focusing on elements related to the selection procedure not mentioned in the answers above.

Text of 3 to 500 characters will be accepted

Relation to the Other Funding Instruments

26. In your view, how should the Innovation Fund complement other funding mechanisms at the EU and national level? Such mechanisms are the for example EU Framework programme for research and innovation (Horizon 2020), European Structural and Investment Funds (e.g. ERDF) or Research fund for coal and steel). **Please specify.** *1000 character(s) maximum*

There is a potential of complementarity of the Innovation Fund with the EU Framework programme for research and innovation: Horizon 2020 funds could be used for project phases in lower TRL-levels the Innovation fund could be used for project phases with a higher TRL-level. (Sequential funding)

The Innovation Fund could thus bridge the gap between Horizon 2020 (R&D and pilots) and commercialisation of innovative technologies by funding first-of-a-kind projects (including full scale production plants).

In addition, it would be beneficial to establish a one-stop-shop which would help project leader to be directed to the right fund for the right project.

27. In your view, could the Innovation Fund avoid overlaps with other funding instruments and if so how this should be done?

There is a potential of complementarity of the Innovation Fund with the EU Framework programme for research and innovation: Horizon 2020 funds could be used for project phases in lower TRL-levels the Innovation fund could be used for project phases with a higher TRL-level. (Sequential funding)..

28. In your view, how unnecessary administrative burden for applicants could be avoided? Please specify.

1000 character(s) maximum

User-friendly IT-tools: User-friendly submission tools for proposals.

Simple administration: short proposal and project-reporting templates and simple timesheets.

Minimum time to grant between the closure of the call and the signature of the grant agreement (Comparable to H2020).

29. If you wish, please provide additional comment(s) in more detail focusing on elements related to financing synergies not mentioned in the answers above.

1000 character(s) maximum

The „synergy“ discussion should not only refer to the „traditional synergy options“ targeting mostly the EU Framework programme for research and innovation and the European Structural and Investment Funds (- (to a smaller degree: synergies between the European Structural and Investment Funds and the European Fund for Strategic Investments) but also to other „combinations“.

If the combination of funds is feasible, a one-stop-shop for diverse European funding tools and guidelines for applicants with different funding options is recommended.

Final comments

30. If you wish to add further information, comments or suggestions - within the scope of this questionnaire - please feel free to do so here:

1000 character(s) maximum

The NER 300 has been ineffective at stimulating novel CO2 reduction projects in the Magnesia Sector. The power generation sector which is passing on investment costs has benefitted most from the NER 300. The Magnesia Sector is not experiencing the same level of investment de-risking. The industry needs:

- an investment enhancing climate should encourage investments over long term (30 years) cycles in a capital intensive industry. Legal stability are key to achieve this goal
- safeguards against price fluctuations in market based policy instruments; which objectives, if kept, should be clearly defined and not be prone to abuse for speculation purposes
- an innovation policy which provides clear incentives for breakthrough technologies in a cost-effective way.

Public financing aims at mitigating the financial risk involved and at providing incentives for private operators to engage in projects which would normally not be financed based on market returns on investment.

Consequently, the EU-ETS should play a role in making CCUS technologies increasingly competitive in the market. Within that context, policies aimed at promoting CCUS have to be accompanied by mechanisms which offset the costs for industries exposed to global competition whenever appropriate

In addition, you could also upload a document proving further information, comments or suggestions.

Please note that the uploaded document will be published alongside your response to the questionnaire which is the essential input to this open public consultation. The document is an optional complement and serves as additional background reading to better understand your position

The maximum file size is 1 MB