Innovation Fund - Best practices from previous Calls for Proposals

First call for large-scale projects and first call for small-scale projects launched in 2020

Written by ICF SA in cooperation with Fraunhofer ISI
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Directorate C — Innovation for a Low Carbon, Resilient Economy
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Directorate-General for Climate Action
Innovation Fund

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1. Introduction

The EU's Innovation Fund (IF or the Fund) supports investments in the next generation of technologies needed for the EU's transition to climate neutrality. Its aim is to empower companies with a first-mover advantage to become global clean technology leaders and to support innovative zero and near zero-carbon technologies in all Member States to be successfully demonstrated and reach the market, enabling widespread replication.

This document consolidates the most relevant best practices from successful project proposals in the 2020 calls for large- and small-scale projects. Where the application requirements vary, a box highlights the differences between applying for large- and small-scale projects.

In order to select and support the best projects to reach those objectives, the projects were assessed according to five award criteria on their ability to:

1. demonstrate highly innovative technologies, processes or products;
2. significantly reduce or avoid greenhouse gas emissions;
3. guarantee sufficient maturity;
4. demonstrate high potential of scalability; and,
5. present high cost-efficiency.

The paper is structured around the best practices identified for these five award criteria based on an evaluation of the applications of the 2020 calls. Each of the following sections presents one of the criteria, plus an introductory section with advice on overall consistency and clarity of the applications.

DISCLAIMER: *It is important to note that the best practices included in this paper are based on a review of the proposals as submitted by applicants under the specific call conditions of the 2020 Innovation Fund calls. The information provided here, therefore, needs to be carefully considered in line with the specific call conditions that apply to ongoing or future IF calls.*

2. Best practices on overall consistency and clarity

2.1. Ensure consistency of claims and numbers across all documents in the application

- Have somebody who was not involved in the preparation of the proposal cross-check all proposal documents for consistency.

2.2. Ensure explicit project support from all relevant parties

- Make sure that all parties upon which the project implementation depends are fully in line with the proposal and provide explicit support (e.g., permits, buy-back rights, licenses, additional funding, etc.)

3. Best practices on GHG Emissions Avoidance

Top tip for success – Apply the IF specific methodology!

Make sure to use the principles of the IF GHG emissions avoidance methodology available on the European Commission Funding and Tender portal. If in doubt, consult the FAQs and/or submit a question through the Applicant Helpdesk.

3.1. Take full advantage of the provided GHG calculation tool

- Use the provided GHG calculation MS Excel tool, which helps to calculate emissions avoidance as required by the IF GHG methodology. Any specific deviations from the IF methodology should be clearly disclosed and justified.
- If possible, further disaggregate the parameters of each equation into various emission sources to allow for a more transparent and traceable calculation.
- Any additional GHG emission savings claimed in relation to emissions generally excluded (Refer to Annex C - GHG emissions avoidance methodology) should be presented separately.

3.2. Clearly report quantified absolute and relative emissions avoidance

- Declare the quantified absolute and relative emissions avoidance objectively and visibly in Application Form B (AFB). Follow this with a step-by-step of the calculation of each parameter and references to the cells in the MS Excel tool.

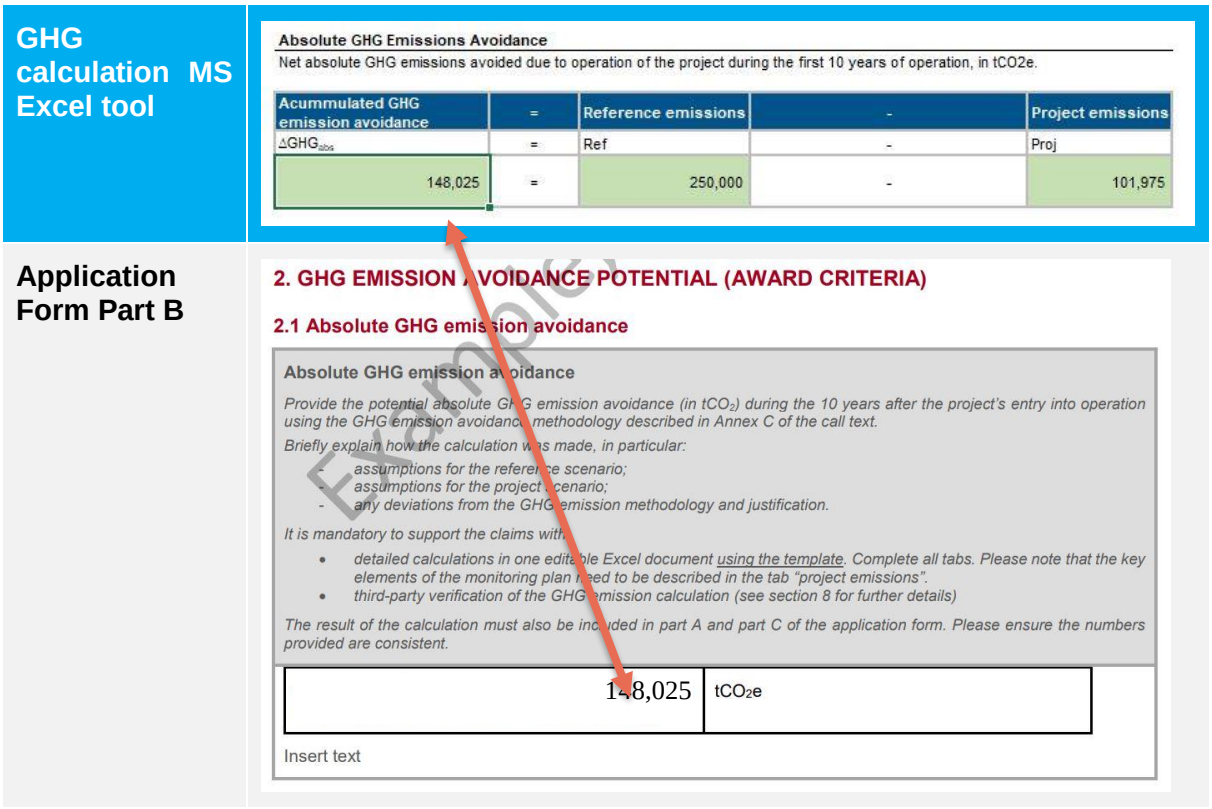
E.g.: Absolute GHG emission avoidance potential for the project is XXX million tons CO_2 for the first 10 years of operation.

- Double check that the absolute and relative emission avoidance amount claimed is the same in Application Form B, in Form C, and in the MS Excel tool.

Common mistake to avoid #1

Discrepancies between figures reported in the GHG calculation MS Excel tool and Application Form B (confusing and often linked to excessive amount of project information in Form B)

Figure 3.1 Consistency of claimed emissions avoidance amounts across different documents



3.3. Ensure your calculations and reporting are aligned with the IF GHG emissions methodology

- Follow the requirements of the IF GHG emission methodology. Document and justify any deviations for the project boundary, methods, and emission factors from the official methodology. Be aware that evaluators may not accept the explanations if they are not sufficiently robust and properly justified.

Common mistake to avoid #2

Including GHG emissions savings from sources outside the boundaries of the project, as defined in the IF methodology.

Altering the established reference scenario to match the reality of your project, unless allowed for your sector(s) (e.g., possible in some instances for energy intensive industries (EII) but more limited for renewable electricity or energy storage).

Incorrect identification of principal products and sectors, wrong emission factors, inclusion of negative emissions that are not foreseen in the Methodology, failure to use EU ETS Benchmark can all lead to manifest errors.

3.4. Document and properly reference all assumptions and emissions factors

- Use projected operational data backed by robust evidence. Document in a transparent manner the assumptions adopted to estimate/extrapolate data. The more visible and transparent the conversions are, the easier it is for evaluators to review them and check the robustness of the assumptions.
- Disclose all assumptions in a disaggregated manner (i.e., in units that are more easily verifiable) and with their rationale (i.e., the basis of the calculation) properly referenced.
- Leave a clear verification trail: include the source of information and hyperlinks to the original reference, whenever a value does not stem from Annex C.

Common mistake to avoid #3

Hardcoding project operational data directly in the input cells (e.g., energy generated by the project – 500,000 MWh) without providing justification on whether this is primary data or derived from secondary data.

3.5. Present only the required information

- Provide a clean, tidy and organised calculation with different colour codes in order to visually differentiate cells with input data, comments and calculations. This approach facilitates internal and external review of the calculations.
- Avoid providing a full Life Cycle Assessment (LCA) assessment done using other GHG emission methodologies unless specific references are made for the data that is used in the IF GHG emissions avoidance calculation.

3.6. Use the IF GHG methodology checklist to properly quantify and report GHG emissions avoidance

Table 3.1 IF GHG methodology checklist

Alignment with the methodology	Have the GHG calculations been submitted in a MS Excel sheet that mirrors the GHG methodology, using the same terminology for GHG emission sources and activities within the scope of the given sector? (Please note that an excel template now exists also for energy intensive industries.) Any deviations are explained clearly and justified.
	Have ONLY emissions inside the scope of the IF GHG avoidance criteria been considered for the final emissions calculation? (GHG savings that could be claimed under the Degree of Innovation criterion should be indicated separately, see next point.)
	In case the project presents benefits which are out of the scope of the IF GHG emission avoidance criterion, has an excel-based calculation of these additional benefits with respect to GHG emission avoidance, energy and resource efficiency been

	provided? Does the calculation of the additional GHG emission avoidance follow the logic of the IF GHG emission avoidance methodology and the corresponding guidance? Have you presented the additional calculations in the separate tab 'Degree of innovation'? Have you referred to the excel file/tabs, when presenting the additional benefits under the degree of innovation criterion in Application Form B?
Alignment with the methodology	Have sufficient data and details to fully explain the project, its boundaries and its interactions with other installations been provided? Have the data used and methods adopted to estimate the GHG emissions and emission factors been documented in a transparent manner, creating a clear verification trail? Have you provided information sources and hyperlinks to the original reference in the application files?
	Has the application been updated to take into account further details required in the second stage, if applicable to the call?
	Have the principal product(s) and the reference products substituted been identified? Do the principal product(s) represent the main objective of the project? Are the principal product(s) all in the same sector?
	For projects with multiple products, have ONLY the GHG emissions attributed to the chosen “principal products” been considered in the reference emissions when calculating the RELATIVE GHG emission avoidance? (please note that whilst all emissions in the reference scenario shall be considered for the absolute avoidance calculation, ONLY emissions of PRINCIPAL PRODUCTS in the reference scenario shall be considered for the relative avoidance calculation)
	In case an EU ETS benchmark is used, are these values up to date? The EU ETS benchmarks have been updated in Implementing Regulation determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2025 pursuant to Article 10a(2) of Directive 2003/87/EC of the European Parliament and of the Council.
Robustness of data	Have projected operational data been backed by robust evidence or, if estimated/extrapolated, linked to the assumptions table? Are the conversions sufficiently visible so they can be easily reviewed and the robustness of the assumptions checked? Are the characteristics of the proposed plant credible and in line with basic engineering principles, e.g., heat and mass balance? Where assumptions have been applied for operational characteristics and KPIs used, have these been selected in a conservative yet accurate manner, i.e., to avoid under/over estimation?
Transparency of the calculation	Have each adopted assumption been disaggregated in the excel sheet (i.e., in easily verifiable units) and with their rationale (i.e. the basis of the calculation) properly referenced and/or any data sources used?

	Has a clean, tidy and organised excel sheet with different colour codes (in order to visually differentiate cells with input data, comment and calculations) been provided? Have the calculations of the reference and project emissions been presented in different tabs to facilitate internal and external review of the calculations?
Robustness of the calculation	Have any double-counted emissions or avoidance/reduction been adequately disregarded from the calculations?
	In case the relative emissions avoidance exceeded 100%, have you checked whether ONLY the GHG emissions attributed to the chosen "principal products" been considered in the reference emissions in your calculation ?
	For energy intensive industries, has the applicant considered the emissions in all steps (inputs - processes - products - use - eol[1]) for the calculation of relative emission avoidance? (When there is no change in emissions in a step, these can be disregarded for the absolute emission avoidance calculation, but have to be considered in the relative emission avoidance)
Consistency of the application	Have absolute and relative emissions for the full 10 years of operation and, in the case of EII projects, the EU ETS benchmark used (if applicable) been objectively and visibly declared in the Application Form B? Are these values declared also consistent with the values indicated in the excel sheet? (E.g.: Absolute GHG emission avoidance potential for the project is XXX million tons CO_2 for the first 10 years of operation).
Clarity of the presentation	For energy intensive industries, has the process diagram in figure 2.1 of the methodology (Annex C) been properly filled in? Have any "zero" values inserted in any of the fields been properly justified?
Sustainability requirements	For projects using feedstock of biogenic origin: have sufficient assurance that the biomass supplied will meet the sustainability requirements of the recast Renewable Energy Directive (RED II) and that will originate from feedstock with a low risk of causing indirect land-use change been provided?

[1] End of life

4. Best practices on Degree of Innovation

Top tip for success – Apply only if you are sufficiently innovative!

Ensure that your project is sufficiently innovative - moving well beyond simple incremental innovations or the simple integration of “off-the-shelf” technologies.

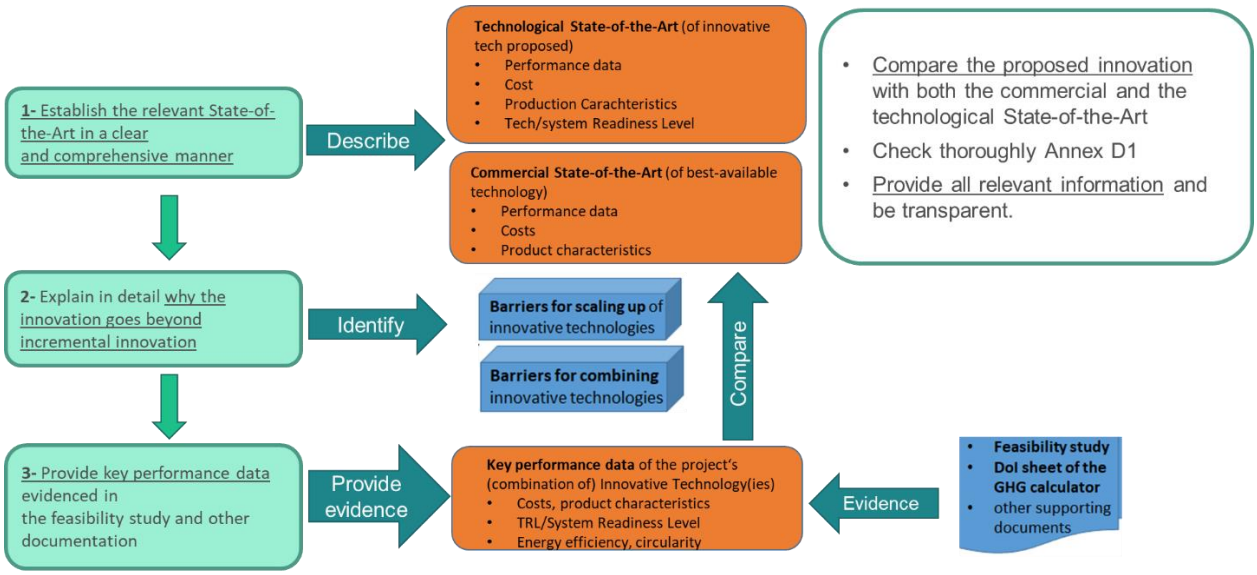
4.1. Establish the relevant State-of-the-Art in a comprehensive manner

- Establish and describe the relevant State-of-the-Art for both the best available technology at commercial scale (commercial state-of-the-art) and the technologies applied by the proposed project (technological state-of-the-art).
- Present your innovation in comparison to the State-of-the-Art in both these two regards.
- Compare performance data with other innovative solutions to show understanding of the field.

Common mistake to avoid #4

Only including one comparison with either the commercial or the technological State-of-the-Art to the reference technology or the innovative technology (you are expected to compare both with the relevant State-of-the-Art).

Figure 4.1 Example of a State-of-the-Art comparison



4.2. Explain in detail why the innovation goes beyond incremental innovation

- Characterise the degree of innovation beyond incremental innovation (medium, strong, breakthrough) based on the guidance in Annex D of the call text.
- For a combination of technologies already available at commercial scale, clearly explain why their combination goes beyond incremental innovation by addressing the existing barriers to this combination of technologies.
- For upscaling technologies already available at commercial scale, clearly explain why their upscaling goes beyond incremental innovation by addressing the existing barriers to upscaling.

4.3. Provide key performance data evidenced by the feasibility study

- Present key performance data (technical and financial) to demonstrate and support innovation claims in Application Form Part B and refer to the evidence provided elsewhere, with clear signposting to the relevant document/page/section/etc.
- Provide evidence for the performance data (technical and financial) in the feasibility study.

4.4. Provide a calculation of the contributions to the further EU policy objectives

- Provide a calculation of any additional benefits your project provides with respect to the further EU policy objectives in the sheet “Degree of innovation” of the MS Excel tool for the calculation of the GHG emission avoidance. Ensure that the calculations are aligned with your calculation of GHG emission avoidance as far as possible.
- Refer to the “Degree of Innovation sheet of the MS Excel tool for calculation of GHG emission avoidance, when presenting the additional benefits under the degree of innovation criterion.
- Refer to Annex D of the call documents available on the European Commission Funding and Tender portal for additional information of what is considered innovative compared to the State-of-the-Art and for further explanation of what could constitute an action contributing to the EU policy objectives.

5. Best practices on Project Maturity

Top tip for success – Apply when you are ready!

Your project has to be financially and technologically mature enough in its implementation pathway to demonstrate to evaluators that it can achieve financial close within the indicated timeline and be implemented successfully.

Difference between 1st Large-Scale Call (LSC) and the 1st Small-Scale Calls (SSC)

In the LSC, the **Project Maturity** award criterion is divided into *Technical maturity, Operational Maturity,* and *Financial maturity*.

In the SSC, the **Project Maturity** award criterion is divided into *Implementation maturity* and *Financial maturity*. Implementation maturity covers some of the technical and operational aspects of a project, and therefore the best practices listed below apply for SSC applications as well. Both the LSC and the SSC require a *feasibility study* and a *business plan* as **mandatory documents** under the **Project Maturity** award criterion. A *project implementation plan* and financial model summary sheet has been only required for the LSC.

5.1. Best practices related to risk mitigation across the Project Maturity evaluation criterion

5.1.1. Identify and present technical, business, financial and operational risks and their mitigation measures

- Conduct a comprehensive risk assessment to identify the technical, business, financial and operational risks for the project. Clearly present these risks in the respective sections of the Application Forms B, together with their mitigation measures in a risk matrix/heat map to illustrate the risk scoring system and help evaluators form a better judgement (see two examples below).
- Present a comprehensive list of well formulated risks with convincing mitigation processes.
- Underpin your overall analysis with a well-planned and drafted Feasibility study and Project Implementation Plan. Make sure they are consistent with the Business Plan.
- Adopt a standard scale to measure the probability, impact and hence overall severity of risks, ideally with a total scoring added, and a comprehensive mitigation plan that also identifies the principal/secondary owners of the risk.

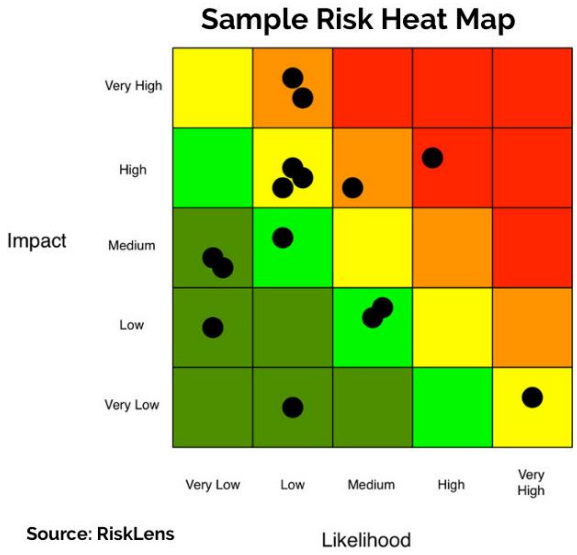
Common mistake to avoid #5

Poorly defined risks with no clear prioritisation, or assessment of their potential severity (i.e., probability x impact), and no identifiable risk owners.

Insufficient risk mitigation measures.

Sensitivity analysis in the business plan and contingency funding in the financing plan is not linked to financial risks in the financial maturity section of AFB.

Figure 5.1 Example of a risk heat map that clearly illustrates the gradation of risks, allowing evaluators to focus on the most important aspects



Source: RiskLens

5.2. Best practices related to technical maturity

5.2.1. Provide a project implementation timeline that is comprehensive, realistic and consistent with the project's technical and financial elements

Provide a project implementation timeline which:

- is in line with the technical (i.e., procurement of components, construction, commissioning etc.) and financial (IF funding allocation across different implementation milestones) elements of the project and the call requirements; and,
- identifies the technology readiness level (TRL) at the start and end of the project. Where there is an expectation of evolution across more than one TRL during the project, these should be set against key project milestones.

The implementation timeline needs to be comprehensive, realistic, and consistent with all other project elements to the extent it can be grasped by a non-expert audience whilst ensuring accuracy. It also has to be consistent with the call requirements (e.g., financial close).

5.2.2. Describe and evidence the actual readiness level of your technology/solution

- The expected output claimed in the application must be well evidenced and justified. This can be done by, for example:
  - ✓ Providing evidence and performance data from previous stage/site/pilot.
  - ✓ Providing third party confirmations, quotes from vendors or suppliers, and signed letters of agreements or heads of terms (if available).

5.2.3. Attach a technical due diligence report (where available) to the feasibility study

- The due diligence report is important evidence of the maturity of the project. Make sure your proposal provides justified and evidenced quantification of the expected output of the technology or solution applied. This must be consistent with the expected GHG emissions avoided and with the financial/business projections and expectations of the project.

5.3. Best practices related to financial maturity

5.3.1. Substantiate your financial projections

- Make sure that the financial projections are coherent with the assumptions detailed in the business plan and used in the other application documents.

- Fully describe and substantiate the main revenues and cost assumptions: provide and justify volumes, prices.

- Provide contractual evidence (e.g., letters of support, MoUs, indicative terms of agreement) for off-take agreements, key suppliers, construction/EPC parties).

- Provide a clear and full breakdown of CAPEX with references and justifications.

- Make sure that the scope of activities of your business model and business plan match the scope of the project you submit, that the assets and costs of the project are borne by the applicant and grant beneficiaries.

- Justify the cost contingencies assumed and ensure that they are in line with market practice in your sector.

Take full advantage of the provided Financial Model Summary Sheet (FMSS) to help you coherently structure your financial projections and assumptions

5.3.2. Follow instructions for profitability and grant allocation

- Provide a full financial model (and IRR analysis) covering the entire project lifetime and consistent with the project milestones.

- Do not include a Terminal Value in the IRR analysis.

- Ensure that assumptions used for WACC adequately reflect the risks of the project.

- Make sure that the grant disbursement schedule is in line with the call text guidelines.

5.3.3. Substantiate your financing plan and evidence of funding support

- Provide evidence of credible support by your project owners sign at the board of directors' level of the parent company (e.g. binding letters of support, MoU's, indicative terms of agreement). If the sponsors can provide funding commitment letters and they are conditional, the conditions precedent should be clearly stipulated.
- If additional public funding sources are foreseen, describe potential contingency measures in case this public support does not materialize.
- Similarly, in case the project has low profitability or the financial model assumptions rely on market prices far away from current market conditions or subject to significant fluctuations, also provide contingency plans in terms of funding if they do not materialise, in addition to a clear description of the underlying process to obtain such funding (additional state aid or external debt) or reasoning behind the assumptions used (for market prices). The lower the profitability or cash flow visibility of the project, the stronger commitment from funders should be demonstrated.

In case your project is expected to raise debt funding sources:

- Ensure that the level of debt assumed in your financing plan is supported with the right level of stable cash flows and is demonstrated by long-term off-take contracts.

Common mistakes to avoid #6

Cash flow projections are not coherent with the project milestones.

- Highlight the financing structure indicating whether the debt will be raised at the level of the corporate entity or of the project, and the level of recourse to the project shareholders.

- If the project is planning to raise external debt, justify the key terms assumed, expected cash flows and that this debt level and repayment profile is in line with market standards.
- If possible, provide letters from banks/debt investors to support these assumptions.
- Ensure that the data used to complete the FMSS is fully consistent with your IF Relevant Cost calculations.
- Ensure that all data fields are filled-in, including any expected price premium if this is included in your revenue expectations.

Common mistakes to avoid #7

No evidence provided of shareholder support that would either get the project past the operation phase or cover for potential funding shortfalls during operation for projects with low profitability and / or exposed to high financial risks.

Steps taken to reach financial close had not been clearly identified.

IRR only calculated for the first 10 years without covering the full lifetime of the project

5.4. Best practices related to operational maturity

5.4.1. Have a defined strategy for off-take agreements in place

- Define and clearly present the project strategy for off-take, supply, construction and other project agreements[2]. Where possible, explain the state of contracting and the envisaged steps and timing, including conditions for signatures. If available, the strategy and state of contracting needs to be backed by evidence such as negotiations of contractual terms as well as any (pre)agreements concluded which would enhance the robustness and credibility of projected revenues. Submit (binding, if practicable and the project is near final investment decision / financial close) letters of support/ Memorandum of Understanding/ Terms of agreement clearly stating the expected conditions of these commitments and how they relate to the project and any operational milestones.

5.4.2.

5.4.3.

5.4.4

Common mistakes to avoid #8

The project implementation plan is not consistent with the feasibility study and/or business plan. (Note that project implementation plan is not required for SSC applications.)

5.4.5. Have a well-defined strategy for construction and supply contracts in place

- A well-defined strategy to secure agreements with contractors and suppliers[3] will help to provide more realistic calculations of costs, ensure that evaluators can understand better where large capital expenditures and operational expenditures are arising, and enhance the stability and credibility of the projected cash flows. Aligned with this, you should fully explain who are the key technology providers and construction contractors (e.g., Engineering, Procurement and Construction (EPC)), and the stage of contracting with each party. Provide a diagram outlining the contractual structure of the project which shows the relationship between project partners (see example below). A robust contracting strategy needs to be underpinned by FMSS-aligned cost projections.
- Contractual evidence will help evaluators to confirm your project's cost assumptions and, crucially, the likelihood of your project reaching Financial Close within the set timeline.

5.4.6. Ensure your project parties, partners and contracts are well defined and sufficiently explained

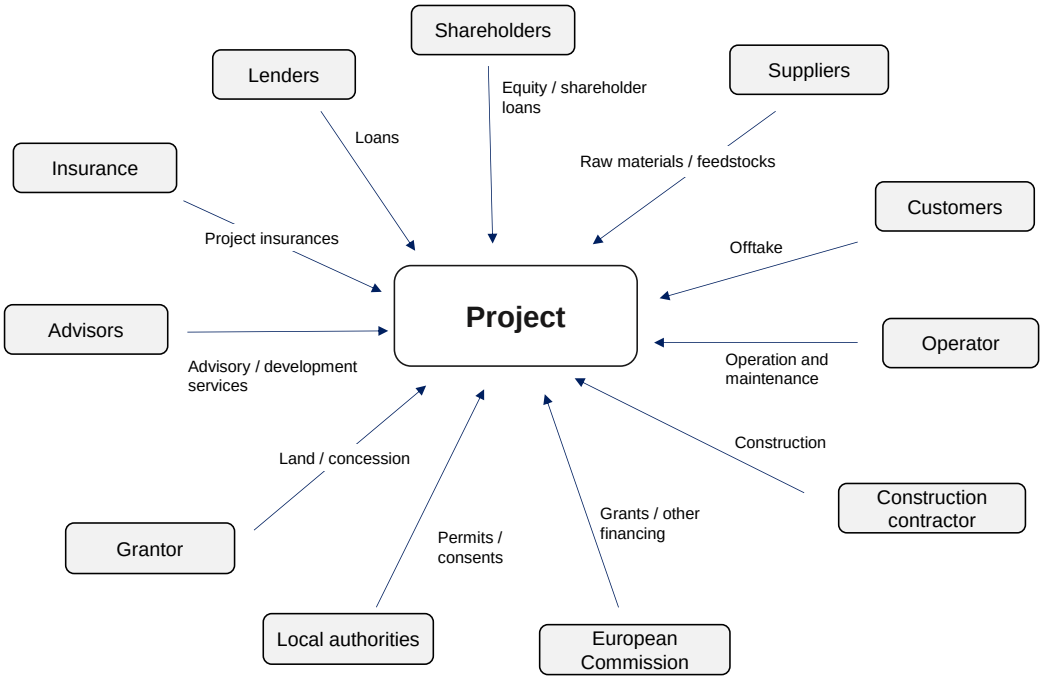
- Ensure the role of partners in the consortium is well described (e.g., powers and responsibilities of members, decision mechanisms, financial responsibilities, duration, and termination arrangements).

[2] The project strategy for key construction, supply and off-take contracts is part of the financial maturity sub-criterion in the 2021 LSC call.

[3] Ibid.

- Add a legal organisational chart to describe the relationship of the project coordinator with the other project participants and indicate the legal entities that will be owning the project assets. Add a diagram to demonstrate the contract agreements with project partners as illustrated in the figure below.

Figure 5.4 Example of diagram of project partners



5.4.7. Provide a timeline of key project deliverables and milestones

- Develop a timeline/table of the key project deliverables and milestones. For example, provide a clear and comprehensive description of the operational steps (e.g, obtaining permits, licences) in line with your project's deployment and funding expectations. Link these steps to a detailed Gantt chart to illustrate the project commissioning and operational timeline. Ensure that this planning is consistent across all your application documents[4].

5.4.8. Properly associate Work Packages with relevant activities and their planned costs

- The claimed budget per each Work Package must be proportional to the covered activities.

[4] Please note that the 2021 Large scale call contains an Annex F that provides the guidance on organisation of project milestones, deliverables and means of verification needed to demonstrate meeting project milestones.

6. Best practices on Scalability

Top tip for success – Clearly define scalability prospects at all levels!

Have a clear plan for how your project can be scaled up to achieve a greater overall impact than your funded project.

6.1. Address each of the three elements of the scalability award criterion

- Clearly differentiate between:
  - ✓ project-level and regional economy scalability;
  - ✓ sector-level scalability; and,
  - ✓ economy-wide scalability.
- Make the case for expansion at project site, including with a business strategy and declared plans to grow, and make the link to the sustainability / corporate strategy of the company. Otherwise, provide justification as to why a project expansion would not be possible.
- Describe the impact of the project on the regional economy (i.e., municipality, county, federal state) and explain how the project fits within the region's development plans. Cite specific city/municipal/regional plans and their priorities, timelines, and expected funding dedicated to the area of interest to the proposal (e.g., expected modernisation of public transport infrastructure in next five years).
- Calculate the scaling-up factor by which the project would need either to upscale from a demonstration phase to an expansion at project site and/or identify the number of opportunities for achieving a technology transfer to other sites (in the EU Member State of demonstration and other EU Member States).
- Consider adding to the application any letter of support for the project signed by the head of the municipality, county, or federal state to illustrate ongoing cooperation with key actors within the regional economy.
- Provide a breakdown of direct and indirect jobs along the project value chain expected to be created.
- Provide a visual example of the supply chain(s) into which the project feeds.

6.2. Avoid generic claims about “greening the economy” without solid evidence

- Avoid generic claims such as “wind power will maintain employment in Europe and give Europe a competitive advantage” or “the project will have a positive impact on the region.”
- Underpin scalability claims with evidence and calculations.
- If scaling up the project is expected to generate employment, aim to provide some robust estimates of actual figures of jobs created and/or jobs protected, both directly and where possible in the supply chain. It is important to cite the sources that can help to validate the basis of these figures.

- If one of the positive impacts from the project is cleaner air, provide estimates and evidence for air pollution reduction.

6.3. Showcase how scaling up the technology leads to overall reduction of GHG emissions

- Look up industry data from credible sources such as national or European level sector associations or international organisations to come up with indicative quantifications of emission avoidance at sector level.
- Consider the breakdown of emissions avoidance into Scope 1, 2 and 3 emissions.
- Describe the factors likely to impact expected cost reductions such as economies of scale and efficiency gains.

6.4. Provide quantitative and / or qualitative evidence to substantiate your scalability claims

- For example:
  - ✓ demonstrate the quantitative analysis that supports pricing assumptions, cost reduction claims;
  - ✓ provide market data that demonstrates demand, the potential of the market to absorb the product, supply of key raw materials, etc.; and,
  - ✓ provide letters of interest / commitment from actors listed as partners.
- Define potential resource constraints (i.e., raw materials, renewable energy supply), as well as expected cost reductions in a short-, medium-, and long-term scenario.
- Define any potential regulatory barriers related to scaling up your project.
- Clearly present how IPR and licensing issues would be handled (e.g., technology transfer at sector level).
- Describe the stage at which the technology is likely to become mature and expected cost reduction associated with it. Provide detailed assumptions regarding the expected cost reductions.

6.5. Quantify and demonstrate the impact of scalability

- For example, estimate the number of potential EU plants where technology can be used (see statistics from previous call for proposal in above section), or the number of direct jobs expected to be created in the region. This may be substantiated by an economic impact study, which covers both direct and indirect effects on the economy.
- In terms of project impacts on the economy, cite any relevant studies on EU-wide balance of trade and value chains development in in the short / medium and long term, i.e., during the transition to and in a climate-neutral economy.
- Describe potential spill-over impacts of the project, such as the different uses of the novel technology in other sectors or the creation of new value chains.

6.6. Provide a clear knowledge-sharing plan without underestimating the importance of communications and dissemination activities

Difference between LSC and SSC

SSC applicants are not required to provide a knowledge-sharing plan.

- Ensure knowledge sharing activities are embedded across the whole project cycle, from IF award through to operation and decommissioning, and that any knowledge gained is communicated on an annual basis.
- A high-quality knowledge-sharing plan goes beyond the mandatory requirements outlined in the call for proposals.
- Provide evidence that shows that the company can put into practice the planned communications activities (e.g., a list of the industrial associations of which the company is a member, and the newsletter channels that can be used to reach other companies in these associations).
- Define the target groups (e.g., investors, public authorities, SMEs, etc.), communication objectives (e.g., attract investors, exchange best practices, etc.), and relevant communication channels for each target group.
- Specify what type of knowledge will be shared (e.g., project results, technical knowledge, project approach) and what type of knowledge will not be shared (e.g., confidential data).

7. Best practices on cost efficiency

Difference between LSC and SSC

LSC applicants must calculate the relevant costs according to the methodology provided in Annex B. Under the SSC, the relevant costs are equal to the total capital expenditure of the project.

7.1. Implement the Relevant Cost methodology carefully in the relevant MS Excel tool

Difference between LSC and SSC

In the 2020 calls, LSC applicants were required to submit a statement by an independent auditor at the application stage, while SSC applicants were required to submit the statement during grant preparation.

- Carefully read Annex B of the call text, and strictly follow the methodology guidelines. If in doubt, consult the FAQs and/or submit a question through the Applicant Helpdesk.
- Submit a statement by an independent auditor confirming the correctness of the Relevant Cost calculations.

7.2. Use the same reference scenarios as used in the calculations of GHG emissions avoidance

- To ensure consistency between the GHG emissions avoidance and relevant cost calculations, use the same reference scenarios and their respective costs. Exceptions to this practice are allowed under specific conditions (See Annex B), and they should be clearly explained and justified.

7.3. Only include eligible costs in the relevant costs calculations

- Carefully read Annex B – and in particular the Glossary - to understand the precise definitions used and what costs can and cannot be included in the relevant cost calculations.

7.4. Justify the used reference price and premium price

- Refer to the guidance on reference price contained in Annex B.
- Review the section on the Weighted Average Cost of Capital (WACC) in Annex B which consolidates and makes consistent all references as applied to each relevant cost methodology. Consult the further guidance on how to calculate key elements of the WACC as well as guidance on when to use an Innovation Premium. A large number of applicant questions can be answered by reference to the Annex B document.

7.5. Ensure that the data in the project's financial model and FMSS is consistent with the data used in the relevant cost calculations

- The data used in the project's own financial model should be consistent with the data used in the relevant cost calculations. The relevant cost calculations should be certified by a third party as per the guidelines set out in Annex B.
- For reference, consult the fully developed financial model example available for download from the European Commission Funding and Tenders Portal

7.6. Do not include project-specific public support in the calculation of relevant costs[5]

- Review the rules on how to account for public support in Annex B. Make sure to understand the difference between market wide public support and any Innovation Fund grant amount or project-specific public support. For example, you must include in the calculations any such public support to which a project has a right and that is equally applicable and accessible to all market participants on a common basis (e.g., a market wide FiT), but not include public support that is project-specific - and derived either from a competitive tendering process and/or as notified State Aid.

[5] Please note that in the 2021 LSC call text the treatment of project-specific funding in the cost-efficiency ratio calculation has been updated.

MORE INFORMATION ABOUT THE INNOVATION FUND

All (past) call documents available on the Funding and Tenders Portal including:

- Guidance and calculation tools on GHG emissions and relevant costs

- Frequently asked questions

https://europa.eu/!QB67by

Innovation Fund helpdesk:

https://europa.eu/!uT46jh

Further info, planning of new calls, recorded webinars and videos available on the IF Website:

https://europa.eu/!rx34Dt

Innovation Fund - YouTube

https://bit.ly/2WxK8w7

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