

# **PUBLIC CONSULTATION QUESTIONNAIRE**

## **on the Establishment of the Innovation Fund**

### **Introduction**

The EU emissions trading system (ETS) after 2020 (see [https://ec.europa.eu/clima/policies/ets/revision\\_en](https://ec.europa.eu/clima/policies/ets/revision_en)) 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 (see [https://ec.europa.eu/clima/policies/lowcarbon/ner300\\_en](https://ec.europa.eu/clima/policies/lowcarbon/ner300_en)). 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 CO<sub>2</sub> (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:

- i. Up to 60% of the relevant costs of projects may be supported,
- ii. 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,
- iii. 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.
- iv. 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,
- v. 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<sup>1</sup>.

**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<sup>2</sup> 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.

Responses to this survey will be treated anonymously upon request.

**SECTION 1 ABOUT YOU**

**1. You are replying:**

<b>a) as an individual in your personal capacity;</b>	<b>b) in your professional capacity or on behalf of an organisation</b>
<b>2. First name</b>	
<b>3. Last name</b>	
<b>4. Name of the organisation</b>	
<b>5. Email address</b>	
<b>6. For individuals, country of residence; for professionals, main country of operations/ headquarters</b>	
<b>7. Type of organisation (please select the answer option that fits best):</b> <input type="checkbox"/> Private enterprise <input type="checkbox"/> Professional consultancy, law firm, self-employed consultant <input type="checkbox"/> Trade, business or professional association <input type="checkbox"/> Non-governmental organisation, platform or network <input type="checkbox"/> Research and academia	

<sup>1</sup> [https://ec.europa.eu/clima/events/articles/0115\\_en](https://ec.europa.eu/clima/events/articles/0115_en)

<sup>2</sup> [https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-3157624\\_en](https://ec.europa.eu/info/law/better-regulation/initiatives/ares-2017-3157624_en)

- Social partners
- National, regional or local authority (mixed)
- Other

**8. If other, please specify**

**9. What size does your organisation have?**

- 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)

**10. 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 (please specify)

**11. Is your organisation included in the Transparency Register?**

If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?

- a) Yes
- b) No
- c) N/A

**12. If so, please indicate your Register ID number**

**13. Your Contribution**

Note that, whatever option chosen, your answers may be subject to a request for public access to documents under Regulation (EC) N°1049/2001

- a) Can be published with your personal information** (I consent the publication of all information in my contribution in whole or in part including my name or my organisation's name, and I declare that nothing within my response is unlawful or would infringe the rights of any third party in a manner that would prevent publication);
- b) Can be published provided that you remain anonymous** (I consent to the publication of any information in my contribution in whole or in part (which may include quotes or opinions I express) provided that it is done anonymously. I declare that nothing within my response is unlawful or would infringe the rights of any third party in a manner that would prevent the publication.

## **SECTION 2. 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.*

### **14. Which are 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?**

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

### **15. 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, please specify.*

### **16. 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?**

- a) Yes*
- b) No*

**16.1 If yes, should these deadlines relate to:**

- a) *Investment process (such as a signature of Financial Close documents)*
- b) *Construction steps (such as commissioning of the construction)*
- c) *other*

**17. 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. 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?*
- b) *No*

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

### **SECTION 3. 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.*

**19. 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.*

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

**20.1 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).**

	<i>Pilot production and demonstration (TRL* 6-7)</i>	<i>Initial market introduction (TRL 8)</i>	<i>Market expansion (TRL9)</i>
<i>Investment subsidies (grants)</i>			
<i>Risk guarantees</i>			
<i>Loans</i>			
<i>Equity</i>			
<i>Other (specify)</i>			

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

**20.2 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.**

**20.3 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, please specify.*

**21. 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, please specify.*

**22. 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?**

**23. 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.**

## **SECTION 4. 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.*

**24. 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, please specify.*

**25. 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, please specify;*

**26. 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).**

- innovativeness,
- decarbonisation potential / contribution to emission reductions;
- expected performance (i.e. Cost per unit of performance);
- project viability/ bankability/ robustness of the business model;
- cross-sector spill-overs / cooperation;
- scalability/ potential for widespread application;
- other, please specify.

**27. 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.**

**28. 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.**

## **SECTION 5. RELATION TO OTHER FUNDING INSTRUMENTS**

**29. 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.**

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

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

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



## **SECTION 6. DOCUMENT UPLOAD AND FINAL COMMENTS**

- 33 If you wish to add further information or comments - within the scope of this questionnaire - please feel free to do so here.**
- 34. Please feel free to upload a concise document, such as a position paper. The maximal file size is 1MB.**

*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.*