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ANNEX

ANNEX

to the

Commission Decision

**on the activities related to the Innovation Fund, serving as the financing decision for
2021 and as a decision launching the second calls for proposals**

ANNEX

Financing of the activities of the Innovation Fund and setting out modalities for launching the second calls for proposals for the Innovation Fund support

1. Introduction

The Decision sets out the modalities for launching the second calls for large-scale proposals in 2021 and for small-scale proposals in 2022 to implement the Innovation Fund established under Article 10a(8) of Directive 2003/87/EC.

On the basis of the rules on the operation of the Innovation Fund laid down in Delegated Regulation (EU) 2019/856, amended by Delegated Regulation (EU) 2021/1204 (hereinafter “Delegated Regulation (EU) 2019/856”), the Decision contains the activities to be financed and the breakdown of the global budgetary envelope of EUR 1 721 000 000 as follows:

- (a) for grants under the call for proposals for large-scale projects implemented under direct management (point 2): EUR 1 500 000 000;
- (b) for grants under the call for proposals for small-scale projects implemented under direct management (point 3): EUR 100 000 000;
- (c) expenditure related to the provision of project development assistance (point 4): EUR 4 000 000, out of which, respectively, EUR 2 000 000 and EUR 2 000 000 will be reserved for grants in the form of project development assistance services to the project proponents under the call for proposals for large-scale projects, and under the call for proposals for small-scale projects;
- (d) for contributions to blending operations under the Union investment support instrument InvestEU (point 5): EUR 100 000 000;
- (e) for other administrative expenditure, including complementary actions under direct management (point 6): EUR 21 000 000.

Legal basis

Article 9 of Delegated Regulation (EU) 2019/856

Budget line

16 03 01: EUR 1 721 000 000

Objectives pursued

Operational objectives of the Innovation Fund are set out in Article 3 of Delegated Regulation (EU) 2019/856.

Expected results

Support projects demonstrating highly innovative technologies, processes or products, that are sufficiently mature and have a significant potential to reduce greenhouse gas emissions.

Offer financial support tailored to market needs and risk profiles of eligible projects, while attracting additional public and private resources.

2. Call for proposals for large-scale projects

Legal basis

Article 9 of Commission Delegated Regulation (EU) 2019/856

Timeline

Q4 2021

Overall estimated amount of the Innovation Fund support available for the call for proposals for large-scale projects

EUR 1 500 000 000 for grants

Types of solicited projects or sectors

The call for proposals for large-scale projects targets projects in sectors listed in Annex I to the Directive 2003/87/EC, including environmentally-safe carbon capture and utilisation, products substituting carbon intensive ones produced in sectors listed in Annex I, construction and operation of projects that aim at the environmentally-safe capture and geological storage of CO₂, as well as innovative renewable energy and energy storage technologies. Projects implemented in the Member States, Iceland and Norway shall be eligible.

Type of applicants targeted by the call for proposals

Legal entities established in the Member States, Iceland and Norway, as well as third countries (provided that the requirements as to the project implementation territory are complied with) whose activities and technologies fall into one of the sectors covered by the Innovation Fund are eligible to participate.

Maximum possible rate of co-financing of the eligible costs and the form of the Innovation Fund support

In accordance with the third subparagraph of Article 10a(8) of Directive 2003/87/EC, the maximum co-financing rate is 60 % of the relevant costs of projects, out of which up to 40% need not be dependent on verified avoidance of greenhouse gas emissions, provided that pre-determined milestones, taking into account the technology deployed, are attained.

The Innovation Fund support to projects, except for the project development assistance, shall be disbursed as grants in the form of lump sums.

Description of the application procedure and a detailed list of information and documentation to be submitted at the application procedure

Only projects above EUR 7 500 000 of capital expenditure (large-scale projects) shall be eligible for the Innovation Fund grants under the call for proposals for large-scale projects. The grants shall be awarded following a competitive selection process via the call for proposals. A one-phase application procedure shall be established.

The applicants shall submit, within a specific deadline, the application forms using the Union's Electronic Submission Service and in particular shall include the following documents and information:

- (a) information on the legal status of the applicant;
- (b) description of key project characteristics in line with the requirements laid down in the call for proposals, including the description of the project's (action's) effectiveness in terms of greenhouse gas emission avoidance potential, degree of innovation, maturity, scalability and cost efficiency as specified in Article 11(1) of the Delegated Regulation (EU) 2019/856 (award criteria);
- (c) information on the sources and amounts of the Union or Member State funding received or applied for in respect of the same project (action) or part of the project (action) or for the functioning of the applicant during the same financial year;
- (d) documents necessary to demonstrate the applicants' operational capacity (concrete list of documents will be provided in the call);
- (e) a feasibility study;
- (f) a business plan;
- (g) a project implementation plan;
- (h) a knowledge-sharing plan.

Detailed information on the selection procedure, including the methodology for evaluation and ranking

The selection (award) criteria

The projects shall be awarded grants based on the criteria established in Article 11 of Delegated Regulation (EU) 2019/856.

Methodology for evaluation and ranking

The methodology for the selection procedure, evaluation and ranking of projects shall be established in accordance with principles laid down in Article 12a of Delegated Regulation (EU) 2019/856.

European Climate Infrastructure and Environment Executive Agency ('CINEA') shall organise the evaluation process. All submitted proposals shall be evaluated by independent external experts against the predefined selection (award) criteria. For this purpose, the external evaluators shall use the qualitative and quantitative indicators that will be set out in the call text.

Proposals that meet the minimum requirements under each criterion, shall be ranked according to the sum of points received under the five award criteria. The maximum number of points for each criterion will be 5.

For the purpose of ranking, where projects have an equal number of points, the following rules shall apply:

- (a) if a proposal is located in an EU Member State, Norway or Iceland with lower number of higher-ranked proposals, it will be ranked higher than proposals with the same number of total points;
- (b) if the rule referred to in point (a) does not suffice and if the proposals are from different specified sectors as defined in Appendix C1 of the GHG emissions avoidance methodology, then the proposal with the higher ranking in its specified sector will be ranked higher. For the purpose of this rule, a ranking list is established for each specified sector based on the total number of points under all award criteria;
- (c) if the rule referred to in point (b) does not suffice, a proposal that has more points for the criterion degree of innovation will be ranked higher compared to a proposal with the same total number of points;
- (d) if the rule referred to in point (c) does not suffice, a proposal that received more points under the criterion scalability will be ranked higher compared to a proposal with the same total number of points.

Proposals with the highest scores shall be invited for the grant preparation provided the budget availability.

A consultation with Member States shall take place regarding the pre-selected proposals before the Commission takes the final award decision, provided the budget availability.

The non-selected projects may be considered for the project development assistance provided that they:

- (a) meet the minimum requirements under greenhouse gas emissions avoidance and minimum thresholds under degree of innovation and scalability criteria; and
- (b) are awarded at least 50% of points under each of the project maturity sub-criteria;
- (c) are considered by evaluators as having the potential for improving their maturity through specific project development assistance.

CINEA shall communicate the list of projects eligible for the project development assistance to the European Investment Bank (the EIB). The EIB shall provide an opinion on a short-list of the projects that could be awarded the project development assistance. A consultation with Member States shall take place regarding the award of the project development assistance before the Commission takes the final decision. The awarded projects shall be invited to sign a project development support agreement with the EIB.

Specific details shall be provided as a part of the call documentation published together with the call for proposals, on the EC corporate Funding and Tender portal: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>

Implementation

The grant element of the call for proposals for large-scale projects shall be implemented in direct management by the Commission and the CINEA.

3. Call for proposals for small-scale projects

Legal basis

Article 9 of Commission Delegated Regulation (EU) 2019/856

Timeline

Q1 2022

Overall estimated amount of the Innovation Fund support available for the call for proposals for small-scale projects

EUR 100 000 000 for grants

Types of solicited projects or sectors

The call for proposals for small-scale projects targets projects in sectors listed in Annex I to the Directive 2003/87/EC, including environmentally-safe carbon capture and utilisation, products substituting carbon intensive ones produced in sectors listed in Annex I, construction and operation of projects that aim at the environmentally-safe capture and geological storage of CO₂, as well as innovative renewable energy and energy storage technologies. Projects implemented in the Member States, Iceland and Norway shall be eligible.

Type of applicants targeted by the call for proposals for small-scale projects

Legal entities established in the Member States, Iceland and Norway, as well as third countries (provided that the requirements as to the project implementation territory are complied with) whose activities and technologies fall into one of the sectors covered by the Innovation Fund are eligible to participate.

Maximum possible rate of co-financing of the eligible costs and the form of the Innovation Fund support

In accordance with the third subparagraph of Article 10a(8) of Directive 2003/87/EC, the maximum co-financing rate is 60 % of the relevant costs of projects, out of which up to 40% need not be dependent on verified avoidance of greenhouse gas emissions, provided that pre-determined milestones, taking into account the technology deployed, are attained.

The Innovation Fund support to projects, except for the project development assistance, shall be disbursed as grants in the form of lump sums.

Description of the application procedure and a detailed list of information and documentation to be submitted during the application procedure

Only projects between EUR 2 500 000 and EUR 7 500 000 of capital expenditure (small-scale projects) shall be eligible for the Innovation Fund grants under the call for proposals for small-scale projects. The grants shall be awarded following a competitive selection process via the call for proposals. A one-phase application procedure shall be established.

During the application procedure, applicants shall submit, within a specific deadline, the application forms using the Union's Electronic Submission Service and in particular shall include the following documents and information:

- (a) information on the legal status of the applicant;
- (b) a detailed description of project characteristics in line with the requirements laid down in the call for proposals, including the description of the project's (action's) effectiveness in terms of greenhouse gas emission avoidance potential, degree of innovation, maturity, scalability, and cost efficiency as specified in Article 11(1) of the Delegated Regulation (EU) 2019/856 (award criteria);
- (c) information on the sources and amounts of the Union or Member State funding received or applied for in respect of the same project (action) or part of the project (action) or for the functioning of the applicant during the same financial year;
- (d) documents necessary to demonstrate the applicants' operational capacities (concrete list of documents will be provided in the call).
- (e) a feasibility study;
- (f) a business plan.

Detailed information on the selection procedure, including the methodology for evaluation and ranking

The selection (award) criteria

The projects shall be awarded grants based on the criteria established in Article 11(1) of Delegated Regulation (EU) 2019/856.

Methodology for evaluation and ranking

A specific methodology for the selection procedure, evaluation and ranking of small-scale projects shall be applied in accordance with Article 12b of Delegated Regulation (EU) 2019/856.

CINEA shall organise the evaluation process. All submitted proposals shall be evaluated by independent external experts against the predefined selection (award) criteria. For this purpose, the external evaluators shall use the qualitative and quantitative indicators that will be set out in the call text.

Proposals that meet the minimum requirements under each criterion, shall be ranked according to the sum of points received under the five award criteria. The maximum number of points for each criterion will be 5.

For the purpose of ranking, where proposals have an equal number of points, the following

rules shall apply:

- (a) if a proposal is located in an EU Member State, Norway or Iceland with lower number of higher-ranked proposals, it will be ranked higher than proposals with the same number of total points;
- (b) if the rule referred to in point (a) does not suffice and if the proposals are from different specified sectors as defined in Appendix C1 of the GHG emissions avoidance methodology, then the proposal with the higher ranking in its specified sector will be ranked higher. For the purpose of this rule, a ranking list is established for each specified sector based on the total number of points under all award criteria;
- (c) if the rule referred to in point (b) does not suffice, a proposal that has more points for the criterion degree of innovation will be ranked higher compared to a proposal with the same total number of points;
- (d) if the rule referred to in point (c) does not suffice, a proposal that received more points under the criterion scalability will be ranked higher compared to a proposal with the same total number of points.

Proposals with the highest scores shall be invited for the grant preparation provided the budget availability. A consultation with the Member States shall take place regarding the pre-selected proposals before the Commission takes the final award decision, provided the budget availability.

Of the projects that are not invited for the grant preparation, the projects may be considered for the project development assistance provided that they:

- (a) meet the minimum requirements under greenhouse gas emissions avoidance and degree of innovation criteria; and
- (a) are awarded at least 50% of points under each of the project maturity sub-criteria ;
- (b) are considered by evaluators as having the potential for improving their maturity through specific project development assistance.

CINEA shall communicate the list of projects eligible for the project development assistance to the European Investment Bank (the EIB). The EIB shall provide an opinion on a short-list of the projects that could be awarded the project development assistance. The Commission shall consult the Member States regarding the award of the project development assistance before taking the final decision. The awarded proposals shall be invited to sign a project development support agreement with the EIB.

Specific details shall be provided as a part of the call documentation published together with the call for proposals, on the EC corporate Funding and Tender portal: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>

Implementation

The grant element of the call for proposals for small-scale projects shall be implemented in direct management by the Commission and the CINEA.

4. Actions implemented in indirect management

Project development assistance (PDA)

Legal basis

Article 13 of Delegated Regulation (EU) 2019/856

Description of the activities to be funded

The financial and technical experts of the EIB shall provide extensive and specific technical and financial support to the projects selected for project development assistance with a view to improving the projects' maturity.

The EIB shall provide support depending on the project's needs. The support may take any of the following forms:

- (a) analysis of the market context for the project and carrying out of related studies;
- (b) critical assessment of the overall project's technical feasibility and financial viability including advice on the business plan and financial plan;
- (c) revision of the resource assessment of renewable energy sources, energy yield assessment and associated carbon footprint;
- (d) revision of project contracts and advice on technical adequacy, consistency among the contracts and their suitability to achieve the project's cash flow projections;
- (e) revision and advice on power purchase agreements and other contracts such as the project concession and grid connection agreement;
- (f) revision and advice on reasonableness and adequacy of parameters of the financial model sensitivity scenarios, including technical data inputs and calculations for accuracy, reasonableness and consistency with projection of energy production, project contracts and permits;
- (g) revision and advice on the adequacy of the working capital, estimated operating budget for the project, and other relevant technical aspects that should be considered in the financial model;
- (h) revision and advice on licenses, construction and environmental permits for the project to ensure that the legislative and regulatory requirements for construction and operation and maintenance of the projects are met;
- (i) revision of the project's compliance with national environmental performance requirements, including compensation measures and their potential impact on the project;
- (j) bankability assessment, advice on other potential public or private sources of financing and advice on measures to improve the attractiveness of the project to potential funders;
- (k) identification of the key gaps in the project documentation, and provision of recommendations to address these gaps;
- (l) advice on the development or improvement of the project implementation plan;
- (m) advice on technical and engineering aspects of the project, including project costs, technical options, and the selected technology;
- (n) advice on procurement strategy and planning;
- (o) advice on tender documents, procurement, project implementation and engineering supervision;
- (p) identification of Member State financing measures that should be notified to the Commission in view of getting state aid clearance.

Implementation

The EIB shall implement the PDA in accordance with the Contribution Agreement signed on 15 April 2021 between the Commission and the EIB

5. Contribution to blending operations

Legal basis

Article 14 of Delegated Regulation (EU) 2019/856

The overall budgetary allocation reserved for blending operations

EUR 100 000 000 for repayable support

Description of the activities to be funded

Innovation Fund supports innovative low-carbon technologies, processes and products in sectors listed in Annex I of the ETS Directive, carbon capture, use and storage, innovative renewable energy and energy storage.

The study Market testing for low-carbon innovation support to energy intensive industry and to power generation¹ and the study Innovative financial instruments for First-of-a-Kind, commercial-scale demonstration projects in the field of energy² conducted by DG Climate Action and DG Research and Innovation of the Commission respectively and subsequent experience with the blending of NER300 unspent funds with InnovFin EDP and CEF Debt Instrument show that low-carbon innovations in the covered sectors face market failures and suboptimal investment situations leading to a lack of investment. The experience shows that project promoters in the eligible sectors, while receiving financial support from the Innovation Fund grants, still lack commercial financing on the path towards market entry and scaling up.

The objective therefore is to develop and bring to market innovative products, processes, services and business models in eligible sectors that could help pre-commercial innovations develop into revenue-generating activities that provide sustainable growth in Europe's economy.

The combined support by the Innovation Fund and InvestEU will be used in blending operations implemented by the European Investment Bank. Blending of the Innovation Fund support with the InvestEU Green Transition product under the InvestEU will significantly contribute to the EU ETS and European Green Deal objectives.

This support should lead to financing innovative low-carbon investments in energy intensive industries, innovative renewable energy, energy storage and carbon capture, use and storage. This will allow the EIB to make investments, which would otherwise be considered too risky.

Further details regarding the underlying financial structure, including the risk-sharing

¹ <https://op.europa.eu/en/publication-detail/-/publication/906bea83-b6fe-11e8-99ee-01aa75ed71a1>

² <https://op.europa.eu/en/publication-detail/-/publication/7fc3beff-2b55-11e9-8d04-01aa75ed71a1>

arrangement between the Commission and the European Investment Bank, the allocation of annual commitment and eligibility rules related to blending operations will be specified in the Guarantee Agreement signed under InvestEU.

Implementation

This activity shall be implemented by DG ECFIN through co-delegation.

Blending operations shall be implemented under indirect management by the European Investment Bank as an Implementing Partner.

Entities participating in the blending facility

DG ECFIN

The European Investment Bank

6. Other administrative expenditure, including complementary actions under direct management

Legal basis

Article 16(2) of Delegated Regulation (EU) 2019/856

Description of the activities to be funded

- (a) Evaluation of projects by external experts during the application procedure;
- (b) IT costs related to the on-boarding of the Innovation Fund to the eGrants system of the Commission;
- (c) Communication, studies and other relevant public procurement costs;
- (d) Fees for monetisation and asset management.

Implementation

The activities shall be implemented in direct management by the Commission and CINEA.