



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL  
CLIMATE ACTION  
Directorate C – Innovation for a Low Carbon, Resilient Economy  
**CLIMA.C.2 – Low Carbon Solutions (II): Research & Low Carbon Technology Deployment**

# **Auctions-as-a-Service for countries in European Economic Area (EEA)**

## **Concept Note**

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## 1. INNOVATION FUND AUCTIONS

As part of the Innovation Fund, the Commission is running an annual auction for subsidies for the production of renewable hydrogen. So far, two auctions have been organised (IF23-AUC and IF24-AUC). They support projects with a “fixed-premium” subsidy, i.e., payment in EUR/kg for verified and certified RFNBO hydrogen produced. This new European financial mechanism provides several advantages, notably in terms of cost-efficiency in awarding support, connecting demand and supply, unlocking private investment and creating vetted price signals that can form the core of future market formation. Finally, an auction mechanism is administratively leaner than regular grants and auctions evaluation takes less than three months.

The auctions are implemented by the Commission’s executive agency, the European Climate, Infrastructure and Environment Executive Agency (CINEA).

## 2. WHY CHOOSING AUCTIONS-AS-A-SERVICE (AAAS)?

The Commission first suggested offering auctions developed at the EU level “as-a-Service” to eligible countries in its European Hydrogen Bank Communication<sup>1</sup>. As a result, these countries could contribute financial resources to support additional non-awarded projects located on their territory while relying on the EU-wide auction design to identify the most competitive projects. All EEA countries (EU27, Iceland, Liechtenstein, and Norway) are eligible. Contributions are voluntary.

AaaS is essential for the nascent hydrogen market and other decarbonisation technologies/products markets where public subsidies may still be needed to incentivise early projects. For these new markets, it is essential to prevent market fragmentation in terms of different national support schemes and the resulting price signals<sup>2</sup>. Project developers would also benefit from a single set of rules for winning a subsidy across Europe rather than applying to several funding schemes with different application procedures and timelines. The service can further save administrative costs of developing various support schemes by other eligible countries.

## 3. THE AAAS CONCEPT

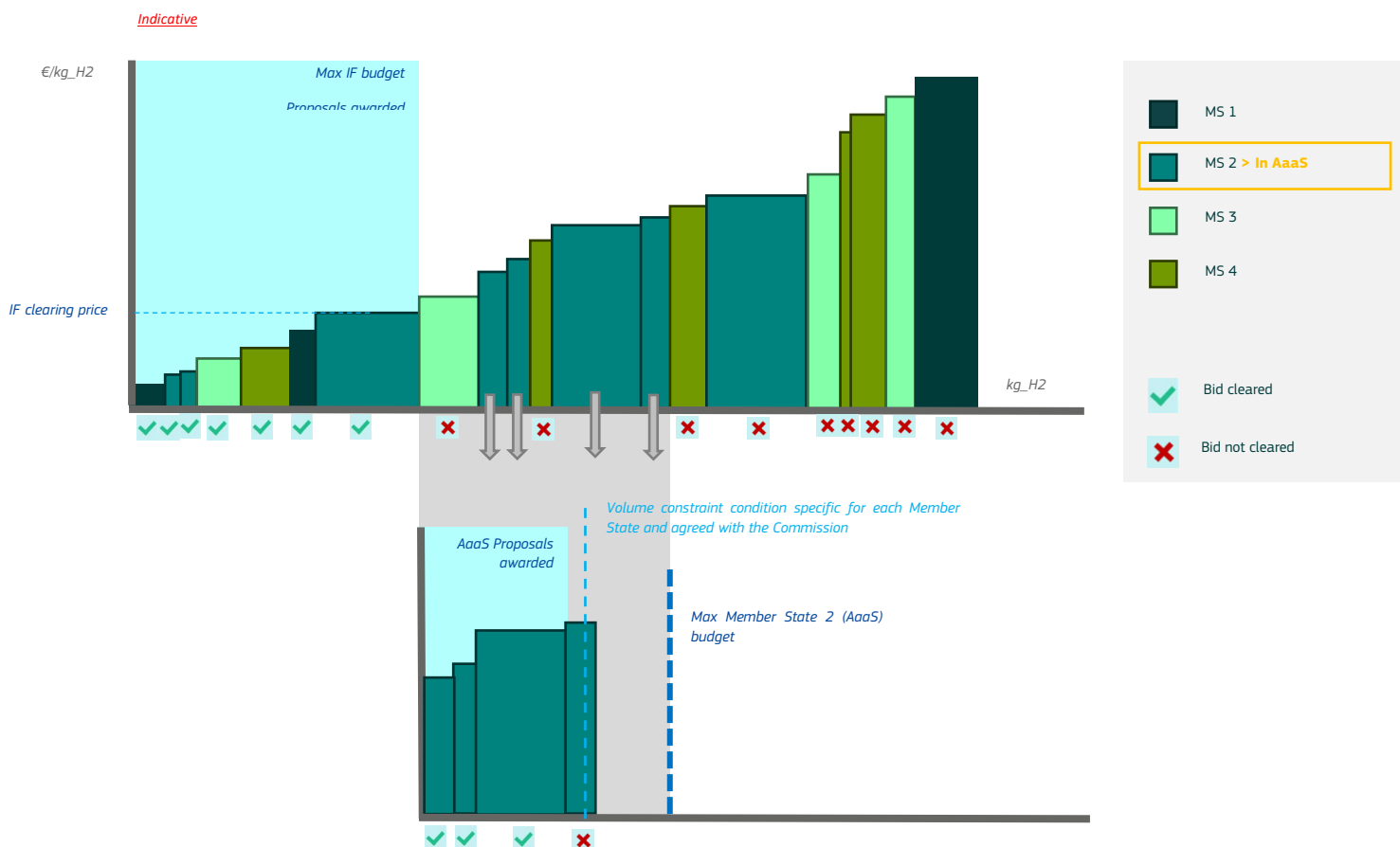
With its “Auction-as-a-Service” offer, the Commission runs a single auction identifying projects to be awarded first from the Fund’s budget and then from the national budget(s). The Fund’s budget is thus spent on the most competitive projects, awarding the highest possible volume (of renewable hydrogen production, in case of the pilot auctions). This approach has the advantages of an EU-wide market and competition, i.e. awarding support to the most competitive projects across Europe with EU funding. On the other hand, additional national resources can support more projects in a specific country.

The auction clearing system is illustrated by the graph below:

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<sup>1</sup> See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0156>

<sup>2</sup> A key goal of the EU-wide auctions is price discovery (finding out the levelised cost of renewable hydrogen in Europe). Prices resulting from different kinds of support schemes with different rules are hard to compare.



Eligible countries committing to a national auction budget would award projects on their territory in addition to those awarded by the Fund's budget, fully respecting the ranking resulting from the auction. These countries would also be responsible for contract signature, monitoring, and payments. The Commission can provide guidance on the minimum requirements for contract signature at the national level.

Once a country's contributions are known, here are the services it is eligible for:

- Provision with a CEEAG3-compatible auction design by the Commission
- Facilitation of State aid notifications schemes by the Commission, through pre-filled notification templates and streamlined dialogue during pre-notification
- Information on CINEA's evaluation price ranking for all projects passing the minimum qualification requirements on their territory
- Knowledge-sharing activities between Innovation Fund projects and projects funded by national budgets, and "lessons learned" on the auction design and implementation.
- Projects ranking beyond the Fund's budget and below the relevant price ceilings to be

<sup>3</sup> Guidelines on State aid for climate, environmental protection and energy, available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C\\_.2022.080.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A080%3ATOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2022.080.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A080%3ATOC)

funded by a given country

Interested countries then award support to projects located on their territory, having passed the eligibility checks and made bids within the national budget constraint and the price ceiling for the national compartment. Interested countries must fully respect the ranking resulting from the auction, i.e. committing to awarding the most cost-effective projects which passed the qualification criteria.

National contributions do not enter the EU or Innovation Fund budget at any point and remain State resources.

The Commission will play an active role in the organisation of knowledge- and best-practice sharing for all awarded projects at EU and national levels.

#### **4. NATIONAL CONTRIBUTIONS AND STATE AID CLEARANCE**

Interested countries must publish their national contributions together with the related auction call text so applicants can have full transparency on available resources. National contributions could come from national revenues from EU Emissions Trading System auctioning, the Modernisation Fund, or other sources. As national contributions represent State aid, a formal notification of a scheme (or preferably pre-notification) has to be made by the respective competent national authorities. State aid would be presented as a scheme (as multiple projects could benefit from it) and must respect the CEEAG. The Commission will facilitate the notification of such schemes and specify the conditions for a sufficient volume of competition.

For national contributions, interested countries must notify (or preferably pre-notify) a State aid scheme before the auction to verify that they respect state aid rules. Schemes should not introduce additional pre-selection/award criteria compared to those under Innovation Fund auctions. Pre-notification should start well before the launch of the related IF Auction to facilitate the adoption of a State aid decision before it.

Adding national budget windows for awarding higher bids and additional national projects could significantly affect the auction's competitiveness. Therefore, auctions will feature safeguards against such a situation, including possible project pipeline analyses by participating countries, an exogenous country-specific ceiling price, or resizing the budget between auction rounds depending on the expected level of competition. Interested countries agree on these safeguards as part of the pre-notification process.

During the IF24 Auction, three participating Member States (Austria, Spain and Lithuania) found satisfactory solutions with the Directorate-General for Competition (DG COMP).

#### **5. HOW WILL IT WORK IN PRACTICE?**

Eligible countries wishing to participate must allocate national funds to AaaS and follow the State aid notification process per the CEEAG before the launch of the respective IF Auction.

From the country's perspective, here is how AaaS works:

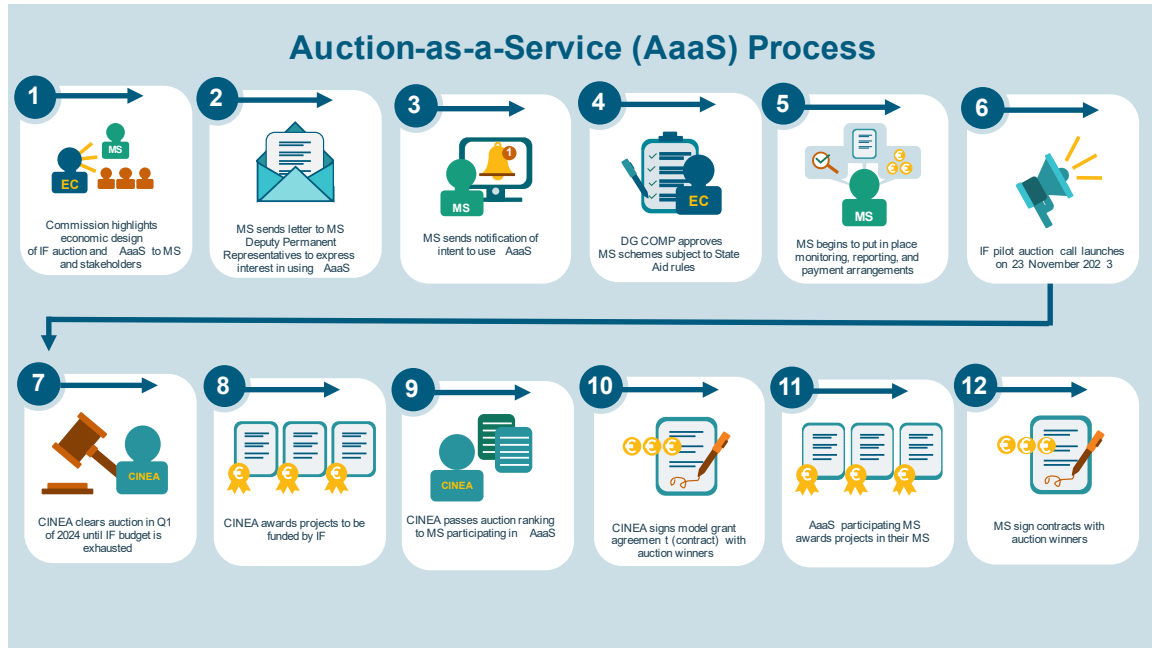
- CINEA launches an IF Auction on the announced launch date ("Auction call opening").
- Project developers submit project proposals via the Funding and Tenders Portal<sup>4</sup> and

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<sup>4</sup> Available at <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/innovfund>

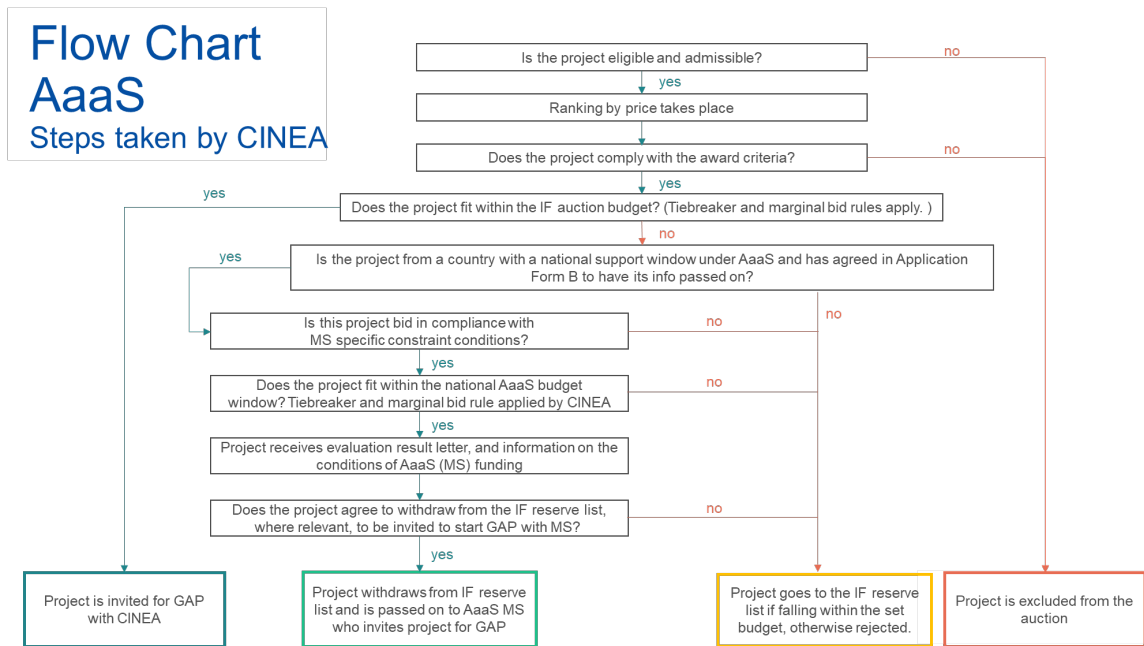
indicate whether they are interested/willing to be proposed for a national AaaS funding window after the Fund's evaluation.

- Projects from across Europe submit bids, which are then evaluated, ranked, and cleared in accordance with the auction's Terms and Conditions.
- After the projects are ranked, the lowest bids are cleared under the Fund's budget until the budget is exhausted.
- CINEA includes specific eligible projects on a reserve list. These projects meet the auction criteria, meaning they:
  - a) are not awarded in the auction as an Innovation Fund project, and/or
  - b) are a project from an eligible country that has agreed to participate in AaaS and/or has not indicated their willingness to be proposed for a potential national funding window,
  - c) having agreed to participate in the AaaS, they comply with the specific eligible country constraints design measures (e.g. volume constraint, exogenous bid price).
- Pre-selected national projects are communicated to the country participating in AaaS, as defined in the call text. These projects:
  - o passed the qualification criteria
  - o in terms of bid ranking, cannot be awarded under the Fund's budget
  - o marked their interest in AaaS
  - o fit within the national funding windows
- Participating countries must respect the price-based ranking; the lowest bids are cleared accordingly under the national funding window.
- Initially, the participating country receives the list of pre-selected national projects. If there are dropouts during grant agreement preparation, the participating country coordinates with the Commission to transfer additional national projects from the Fund's reserve list. In practice, CINEA asks these additional projects if they are willing to be transferred. Projects are then informed of the possible additional conditions of national funding. Those accepting are irrevocably withdrawn from the reserve list.
- Innovation Fund projects are awarded according to the auction ranking until the maximum budget of the auction call is allocated (subject to the application of the tie-breaker rule and the marginal bid rule). The non-awarded projects budget will be accrued back to the Fund.
- CINEA is responsible for awarding, contracting, and monitoring support for projects within the Fund's budget.
- Participating countries are responsible for awarding, contracting, and monitoring support for projects within their respective budgets.
- Participating countries are invited to lessons learned and knowledge-sharing exercises conducted under the Innovation Fund's umbrella.



**Figure 1: Illustration of the AaaS Process**

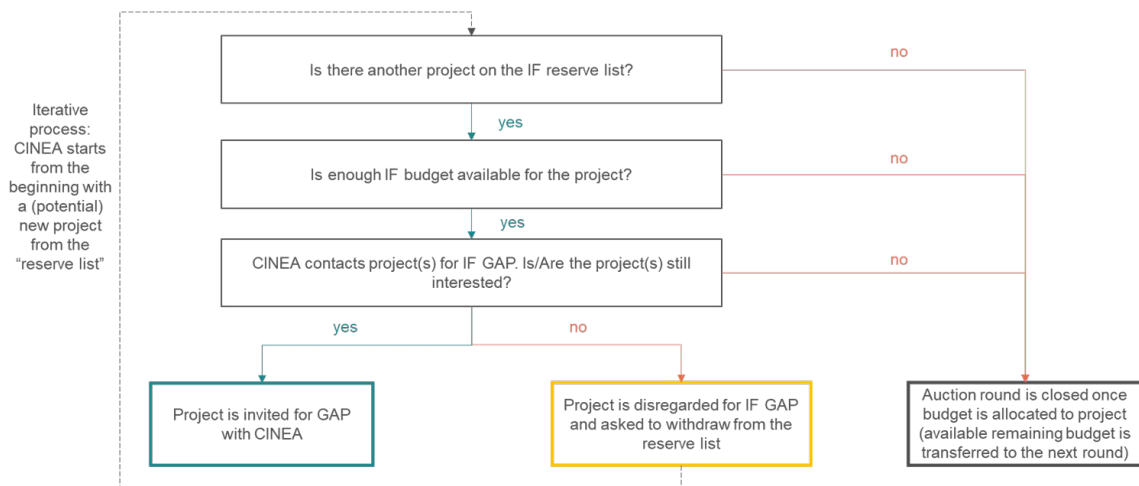
The specificities of how the auction mechanism and AaaS mechanism interact, distribute projects, and communicate with each other are articulated below.



**If a project drops out during Grant Agreement Preparation (GAP), CINEA follows these steps:**

1. CINEA contact the next project on the Fund’s reserve list as long as:
  - a) There is enough budget available for the project
  - b) The project is still interested in pursuing its application and starting GAP
2. If there is not enough budget available to support the next project on the reserve list and/or the project is not interested in pursuing its application, the next project on the reserve list is considered. This process continues until a project on the reserve list that meets the criteria outlined in Step 6 a) and b) is identified. When no more projects are on the list, the auction round is closed. Any remaining budget is transferred to the next auction round.
3. If the identified project is within the Fund’s budget and interested in pursuing the grant process, it will agree to be removed from the reserve list.
4. The identified project begin GAP.

**Drop out during IF GAP**  
Steps taken by CINEA





**If a project drops out during a national AaaS GAP, the following steps apply:**

1. The participating country contacts CLIMA to inform them that an additional national budget is available.
2. CINEA contacts the next project on the reserve list as long as:
  - a. The project is from a country with a national support funding scheme and has agreed to have its info passed on in Application Form B (AFB)
  - b. The project agrees to withdraw from the reserve list

If the project does not agree to withdraw from the reserve list, this process step goes on until a project on the reserve list located in the concerned country agrees to be transferred to the national scheme.

3. If (a) there are no other projects on the reserve list from countries with national support funding schemes and/or projects that have agreed in AFB to have their info passed on, or (b) the available projects on the reserve list do not fit within the national budget window, the AaaS window is closed.
4. The identified project begins national AaaS GAP.

