

INNOVATION FUND

Lessons learnt from the first call
for large-scale projects

13 January 2022 - 10:00 CET | Online event

#InnovationFund

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Best practices Admissibility and Eligibility

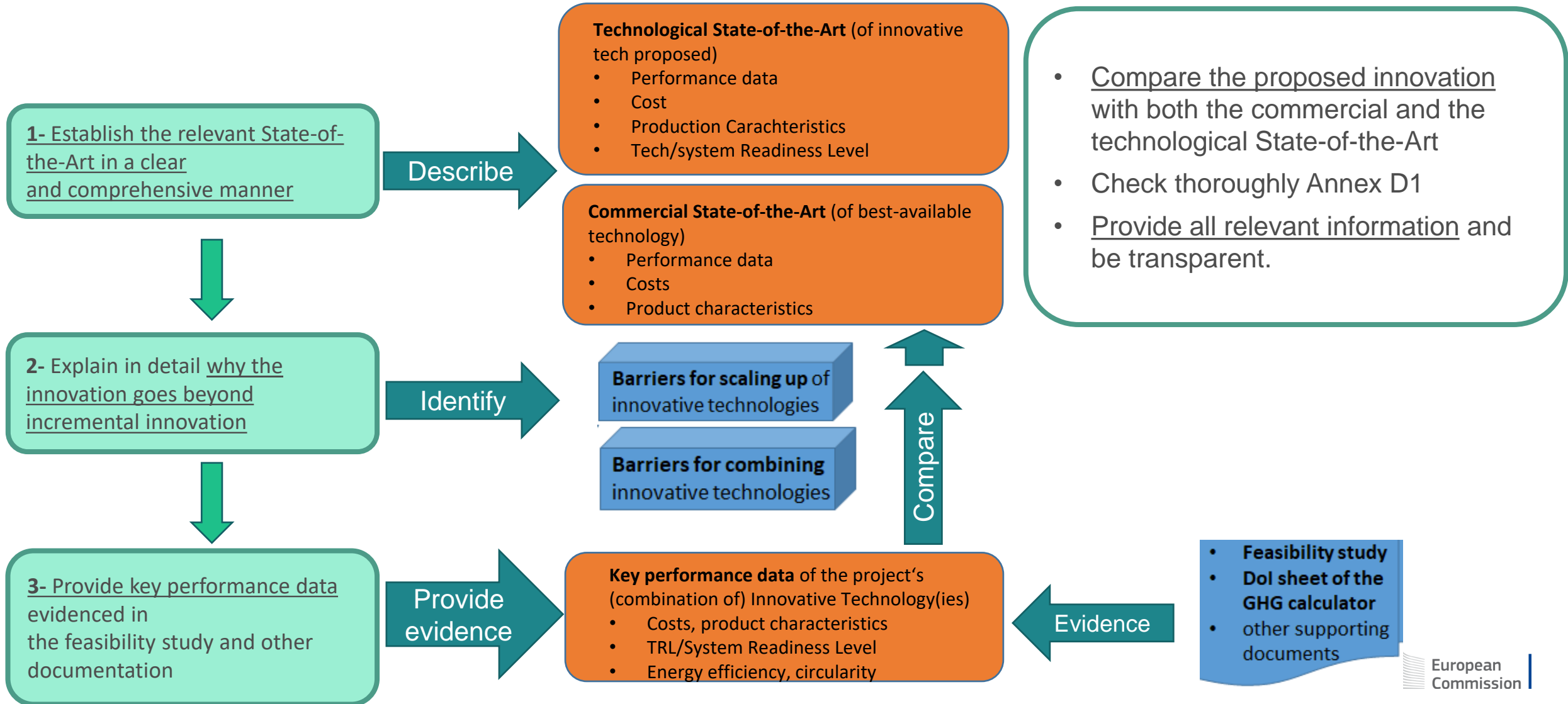
Comprehensive application: complete and timely

- Read carefully all the requirements (including the admissibility and eligibility ones), guidance and instructions
- Start well on time preparing your application and do not wait for the last day to submit (you can still modify your application before deadline)
- Specific supporting documents are requested for Innovation Fund grants
- Quality and clarity more important than quantity
- Consult our FAQ, including for updates, and use Helpdesk if unclear



Best practices
Degree of Innovation

Degree of Innovation (DoI): Be exhaustive and underpin your claims with evidence



Dol – contribution to policy objectives (energy efficiency, circularity and renewable electricity): realistic and credible claims

- Check in detail annex D2 and D3 to the call text
- Compare your project to existing best practice, use quantitative indicators
- Make sure clear and credible calculations are included in the Dol tab of the GHG emissions calculator sheet
- For “production or use of additional renewable electricity” provide available evidence (e.g. procurement contracts, preliminary agreements)



Best practices
GHG emissions avoidance

GHG emissions methodology: **choose and apply the correct methodology**

- Ensure calculations and reporting are aligned with the Innovation Fund specific GHG emission methodology
- Identify the principal product(s), select the correct sector accordingly, reference scenario and applicable methodology section
- Make sure you use the correct emission factor(s) that apply to your project, in line with the methodology
- Deviations from the project boundary, methods, and emission factors are only possible in few limited cases as identified in Annex C to the call text. Make sure your case can use such deviations, and if so document and justify them
- Assumptions have to be robust and properly justified

Use the provided tool: present the required information

- Provide a clean, tidy and organised calculation with different color codes in order to visually differentiate cells with input data, comments and calculations
- Avoid providing a full LCA assessment done using other GHG emission calculation methodologies unless this serves as a specific references in the IF GHG emissions avoidance calculator
- Deviations from the tool should be clearly disclosed and justified
- If possible, further disaggregate different parameters to allow for a more transparent and traceable calculation, but keep the reference on where each project emission would fit in the methodology.
- Monitoring is essential part of the project: don't forget to foresee how this will be done and to fill in the data traceability columns of the calculation tool

Clearly report quantified absolute and relative emissions avoidance: **be consistent across the documentation**

- Declare upfront the quantified absolute and relative emissions avoidance objectively and visibly in the Application Form. Follow this with a step-by-step of the calculation of each parameter and references to the cells in the Excel sheet.
- Double check that the absolute and relative emission avoidance amount claimed is the same in the Application Form and in the MS Excel sheet.
- Ensure that any GHG savings that go beyond the boundaries defined for your sector are claimed separately in the tab 'Other GHG emissions avoidance'. Significant other GHG emissions (more than 10%) are rewarded with additional points.

Assumptions and emissions factors: document and properly reference them

- Use projected operational data backed by robust evidence. Document in a transparent manner the assumptions adopted to estimate/extrapolate
- In case of uncertainties use conservative values
- Disclose all assumptions in a disaggregated manner and 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 the Methodology.

Main mistakes on GHG emissions avoidance

1. Assumptions and data adopted in the calculations were not backed with supporting evidence undermining the credibility of the calculations.
2. Adoption of inadequate reference scenario (e.g., use of emissions factors that differed from those pre-set in the methodology → Reminder: **Do NOT** use national electricity emissions factors), leading to incorrect emissions avoidance.
3. Difference in scope of reference and project scenarios (e.g. omitting end-of-life emissions in project scenario)
4. Project boundaries differed from those defined in the methodology, leading to double counting of emissions credits, specially when there are multiple products involved.
5. Additional GHG savings (not covered by the IF methodology) being claimed under the Absolute GHG emissions avoidance criterion (instead of keeping them separate).



Best practices
Project maturity



Best practices
Technical maturity

How mature is your technology: **describe the actual readiness level of your technology/solution**

- The claimed expected output must be well evidenced and justified. For example:
 - Provide evidence and performance data from previous stage/site/pilot
 - Provide third party confirmations, quotes from vendors or suppliers, and signed letters of agreements or heads of terms (if available)
- Provide a thorough analysis and technical description, but be concise and focus on key facts and figures
- Provide credible evidence for any information on technical maturity (e.g. due diligence report where available). Good analysis of technical risks and their mitigation is required
- Ensure consistency between project implementation plan, feasibility study, business plan, and GHG calculations
- Resubmissions are welcome, particularly if the readiness of your technology has improved from the time of your first submission



Best practices
Financial maturity

Business Plan and Financial Model: ensure consistency and quality across the documentation

- 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 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
- Focus on quality instead of quantity of information

Profitability and grant allocation: follow instructions closely

- 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
- 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

Financing Plan: substantiate the potential debt structure

- 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
- 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

Financing Plan and contracts: provide evidence as requested

- Provide contractual evidence (e.g., letters of support, MoUs, indicative terms of agreement) for off-take agreements, key suppliers, construction/EPC parties
- Provide evidence of credible support by your project owners (e.g. binding letters of support, MoU's, indicative terms of agreement)
- If additional public funding sources are foreseen, describe potential contingency measures in case this public support does not materialise

Business and financial risks:

clearly identify and provide effective mitigation measures

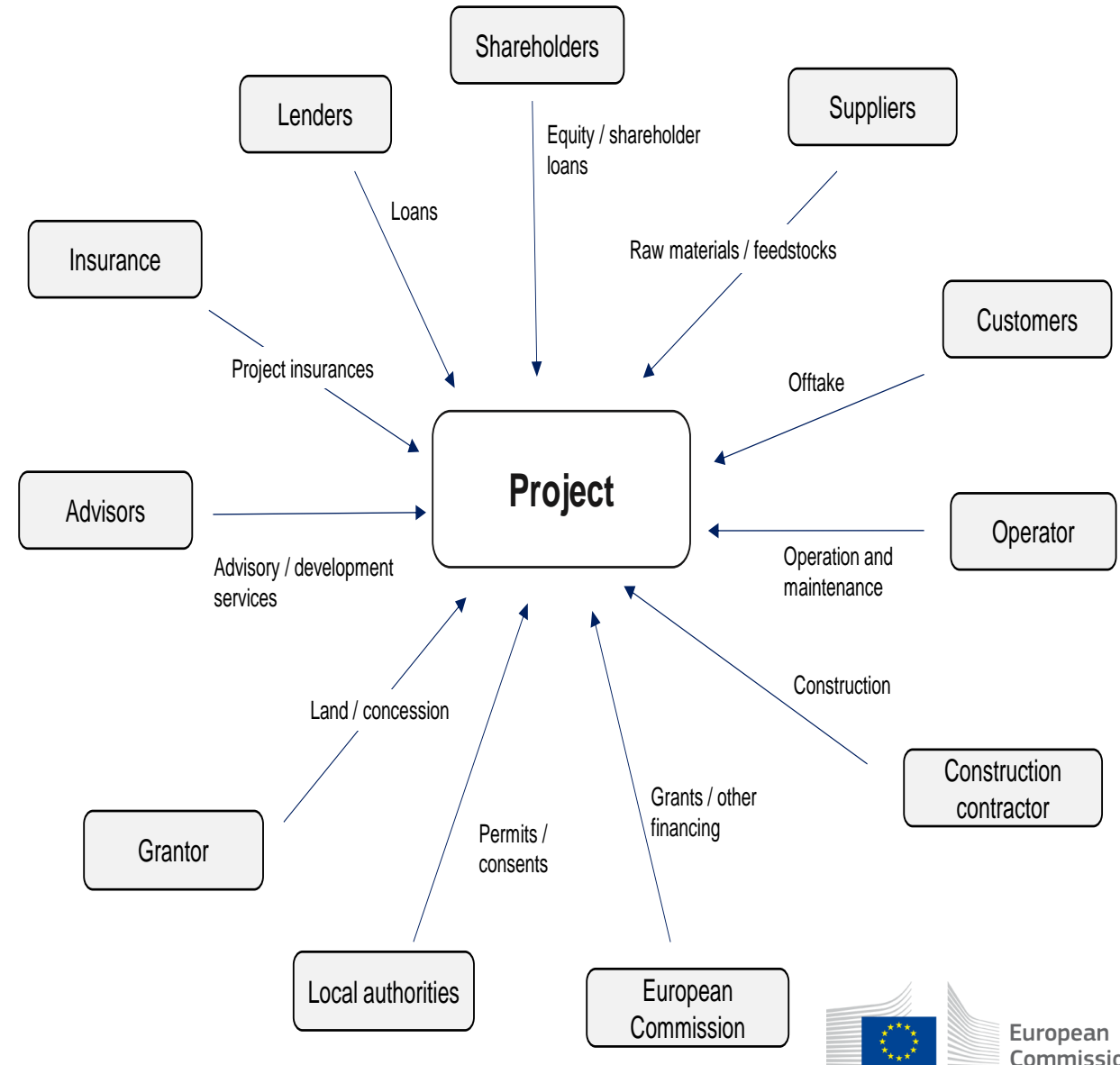
- Provide a clear description of the project business and financial risks as well as meaningful and effective mitigation measures
- If assumptions are made on additional public funding, external debt financing or market prices far away from current market conditions, also provide contingency plans in 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)



Best practices
Operational maturity

Operational maturity: justify the likelihood of your project deployment as planned

1. Have a defined strategy for off-take agreements in place
2. Have a well-defined strategy for construction and supply contracts in place
3. Ensure your project parties, partners and contracts are well-defined and sufficiency explained
4. Provide a clear and realistic timeline of key project deliverables and milestones



Workplan: comprehensive, realistic, and consistent

- Properly associate work packages (WPs) with activities and with their planned costs. Claimed budget per WP must be proportional to the covered activities.
- Define adequate deliverables, milestones and means of verification to allow for effective project management (*see new Annex F to the 2021 call text).
- Do not underestimate the risk analysis: comprehensive risk assessment (including regulatory risks and those related to licenses) and convincing mitigation measures are key.
- Ensure consistency between project implementation plan, feasibility study, business plan, and GHG calculations
- Present a detailed and realistic strategy to obtain all relevant permits and licenses (before Financial Close). Evidence the maturity of contractual relationships with suppliers and off-takers
- Make sure that the role and responsibility of each entity and party is clearly explained in your application. Choose the appropriate role for each entity (e.g. beneficiary, affiliated entity, associated partner, subcontractor, etc.). Think well ahead.



Best practices
Scalability

Scalability: demonstrate your growth potential

- Present a clear and comprehensive communication & dissemination strategy including targeted stakeholders and details of relevant activities & interactions
- Present how IPR and licensing issues will be handled, e.g. technology transfer at sector level
- Address possible necessary adjustments for technology uptake in other sites. Describe any barriers well.
- Provide detailed assumptions regarding the expected cost reductions based on e.g. economies of scale
- Emphasise and substantiate the potential for reduction of GHG emissions.
- Underpin your claims with evidence and calculations. Complete the relevant sheet in the GHG calculator. No calculations mean no points!
- Avoid unsubstantiated, generic claims about the need of a particular technology mitigation pathway to reach EU green deal objectives



Best practices
Cost efficiency

Relevant Cost Methodology:

read carefully Annex B and implement correctly the chosen methodology

- Implement the methodology carefully in the relevant cost template, strictly taking into account the methodology guidelines and do not try to have your own reading: check with Helpdesk if needed
- Justify the reference price and price premium used
- Ensure consistency between the Financial Model Summary Sheet ('FMSS') and the Relevant Cost Template
- Do not include project-specific public support in the calculation of relevant costs.
- Use the same reference scenario(s) and methodology as used in the calculations of GHG emissions avoidance potential to ensure consistency
 - Some exceptions are allowed under specific conditions (see Annex B), and they should be clearly explained and justified

Cost efficiency ratio calculation: follow the guidance of the new call text

- A lower grant amount improves the Cost Efficiency ratio
- The grant amount may be reduced by increased applicant contribution (equity and debt), not by project specific State Aid
- Use the amount of absolute GHG emission avoidance as calculated under the GHG emissions avoidance criterion.
- Submit a statement by independent auditor confirming the correctness of RC calculations
- The call text has been clarified on the treatment of project-specific State Aid in the cost-efficiency ratio calculation – follow the guidance in the call text





Final Recommendations

Full application: **ensure consistency, clarity and reliability**

- Ensure consistency of claims and numbers across your documentation – It is always a good idea to have someone (that was not involved in the preparation of the proposal) checking the proposal documents:
 - Clarity of information more important than quantity
 - Cross-reference to annexes clearly
 - Use requested font size and template
 - Respect page limits
- Be realistic in your assumptions and calculations
- Be very clear on the proposed legal and organisational structure of the project (e.g. the possibility to include or create an SPV, and present a solid strategy and timeline)
- Make sure that entities and parties upon which the project implementation depends are fully in line with the proposal and provide explicit and solid support (e.g. permits, buy-back rights, licenses, commitment for additional funding clearly stating the amounts and dates of injection of funds etc.)

Q&A

Closing

Supporting documents and tools be published soon

- **Best practices** from previous application processes (next week)
- **Statistics** on 2020 SSC and LSC (next week)
- **Self-check questionnaire** for next small-scale call to provide early high-level orientation on potential suitability of project ideas for the Innovation Fund framework (1 April)

Next steps

25 Jan 2022

Webinar on Catalyst Call for proposals

3 March 2022

Submission deadline for second call for large-scale projects

March 2022

Launch of second call for small-scale projects
Expected submission deadline late August 2022

4Q 2022

3rd call for Large-scale projects

Where to find more information?



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>



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>

