How to combine the Innovation Fund with other public support

Established by the Directive 2003/87/EC[1] (hereafter 'EU ETS Directive'), the **Innovation Fund** (IF) aims to support the demonstration of breakthrough low-carbon technologies that are key for achieving the EU's climate and competitiveness objectives defined in the Energy Union and Industrial Policy Strategy. The funding is derived from the auctioning of EU ETS allowances under Article 10a(8) of the EU ETS Directive 2003/87/EC. The IF aims to support projects in all energy intensive industry sectors covered by Annex I to the EU ETS Directive, as well as in renewable energy, energy storage, carbon capture and storage (CCS) and carbon capture and utilisation (CCU). Large-scale projects for the purposes of the IF are those projects with a total capital expenditure (CAPEX) above EUR 7.5 million, while small-scale projects are those with less than EUR 7.5 million of CAPEX.

The grant support is provided in the form of lump-sum payments, upon reaching agreed project milestones.

The Innovation Fund supports **up to 60% of the relevant costs** of projects. In case of large-scale projects[2] the relevant costs are the additional capital and additional operational costs linked to the innovation during the 10 years after project's entry into operation. In case of small-scale projects, the relevant costs are defined as the project's capital expenditure.

This means that the **remaining project costs need to be covered by the project promoters**, either from private or public sources.

This paper therefore provides some examples on the options to combine the Innovation Fund grants with additional public financing.

1 Examples of options for the combination of the Innovation Fund with other public support

There are several options how the Innovation Fund may be combined with other public support:

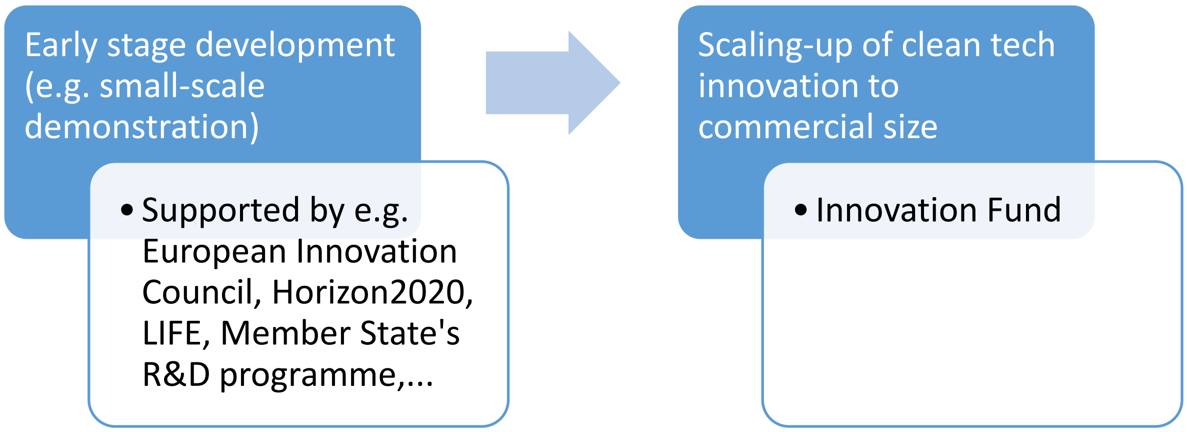
1.1 Combination over time

The Innovation Fund (IF) is designed to scale up innovative clean tech and to finance first-of-a-kind demonstration plants or projects of commercial size. Other EU or Member State programmes may finance earlier development stages or the full market deployment. In such cases, as each programme finances the distinct costs of each development stage, there are no risks of a

[1] Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC

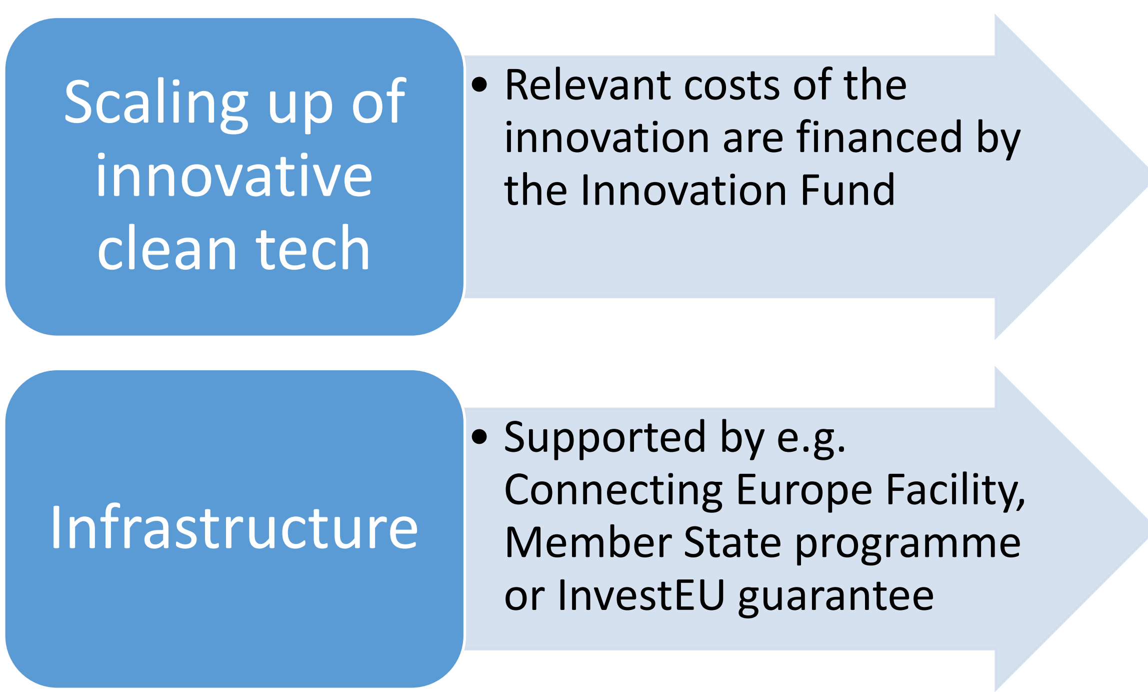
[2] See the Relevant Costs methodology for more details, available at https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/innovfund/wp-call/call-annex_b_innovfund-lsc-2020-two-stage_en.pdf

cumulation or overlap of public support. The maximum support intensities of each programme apply.



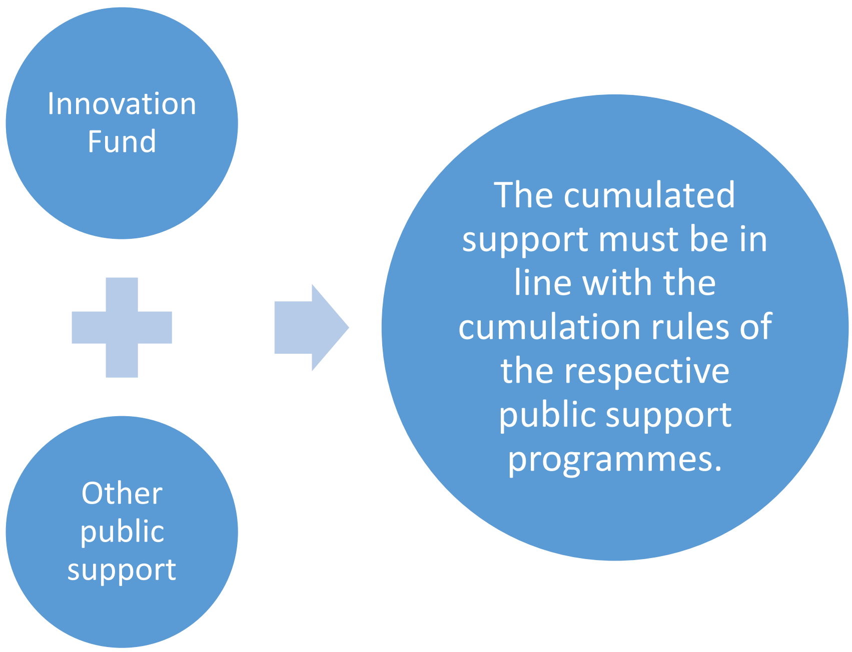
1.2 Splitting up of project costs

Projects may consist of an innovative part (e.g. new technology for management of smart grids, or carbon capture technology) and infrastructure part (e.g. charging stations for electric vehicles, or CO2 transport pipeline). Such projects costs could be split accordingly into the relevant costs related to the innovative technology and the infrastructure costs. Two separate projects are submitted to the Innovation Fund and an infrastructure or investment support programme, such as the Connecting Europe Facility, InvestEU or Member State support. As each programme finances distinct costs or provides different form of support, there are no risks of a cumulation or overlap of public support. The maximum support intensities of each programme apply.



1.3 Co-financing of the same project costs

It will also be possible to co-finance a project by the Innovation Fund and other public support programmes – be it through state aid or centrally-managed EU programmes. However, in such a case, the applicable rules for the cumulation of different support programmes need to be observed. As these cumulation rules may differ between the different types of public support, a more in-depth analysis is necessary.



The following section 2 discusses cumulation of the Innovation Fund with State aid while section 3 addresses cumulation with other centrally-managed EU programmes.

2 State aid considerations around cumulation of Innovation Fund financing with Member State programme support

2.1 Introduction

The IF may cover up to 60% of the relevant costs of the project which means that only part of the total project costs (that go beyond the relevant costs) will be covered by the IF grant. To finance the remaining project costs, projects may combine this support with any other public support in line with the applicable rules. The amount that State aid funding will be able to cover of the remaining costs will depend on the cumulation thresholds for public support of the applicable State aid rules.

2.2 Questions on additional State aid funding that could support IF projects

2.2.1 What is the relevant State aid legislation to be considered by applicants?

State aid is defined under EU law as financial support granted by the national government or public authorities either in the form of subsidies or any other transfer of state resources such as tax breaks and interest-free loans. For example, Union funding centrally managed by the Commission such as the IF does not come under the control of the Member States public authority and, thus, is not considered to be state resources.The State aid should be granted to a company within the EU/EEA bringing about an economic advantage to the recipient undertaking that would not have been obtained on the market under normal conditions. The advantage must target a 'selected' beneficiary, which distorts or threatens to distort competition within the internal market, affecting trade between the Member States.

While Article 107 of the **Treaty on the Functioning of the European Union (TFEU)** in principle forbids State aid as it distorts or threatens to distort competition[3], State aid to certain sectors and/or activities may nevertheless be considered compatible with internal market. In order for a State aid measure to be declared compatible, the concerned Member State must notify it to the Commission which is the only competent authority to declare the compatibility of a measure with the internal market. EU acts regulate those cases where State aid can be declared compatible with the internal market *ex lege* or by an ad hoc Commission decision.

The **General Block Exemption Regulation (EU) No 651/2014 (GBER)**[4] sets the framework for certain categories of State aid exempted from the notification obligation and therefore declared compatible *ex lege*, according to common principles and criteria.

Specific State aid Guidelines clarify the common principles and the application of State aid rules to specific measures in order to be considered public support compatible with internal market, including their scope, eligible costs, aid intensity and cumulation rules. Some of these Guidelines provide the possibility to provide financial support to measures with an objective shared by the IF, such as the:

- Guidelines on State Aid for Environmental Protection and Energy **(EEAG)**[5];
- Guidelines for State aid to promote important projects of Common European Interest **(IPCEI)**[6]; and,
- Framework for State aid for Research and Development and Innovation (RDIF).

[3] TFEU 107(1) – see https://ec.europa.eu/competition/state_aid/legislation/provisions.html

[4] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty

[5] Guidelines on State aid for environmental protection and energy 2014-2020 (2014/C 200/01)

[6] Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest (2014/C 188/02)

2.2.2 What type of projects could State aid funding cover?

Under **EEAG,** Member States can finance projects with environmental protection or energy objectives aiming to ensure an increased contribution to the Union environmental or energy objectives without adversely affecting trading conditions to an extent contrary to the common interest.

In the fields related to IF, State aid may support projects of renewable energy sources for electricity production, for heating or combined heat and power (CHP), renewable fuels, biogas production, energy infrastructure, energy storage, CCUS, aid for going beyond Union standards, making use of industrial by-products, etc.

IPCEI covers projects which are considered as providing an important contribution to the Union's objectives, such as the 2030 framework for climate and energy policies. IPCEI projects must normally involve more than one Member State and its benefits must not be confined to the financing Member States and the beneficiaries, but extend to a wide part of the Union. Given the nature and characteristics of those projects, the procedure requires their approval at EU level (by the European Commission). In addition they should comply with the following requirements:

- R&D&I projects are of a major innovative nature or constitute an important added value in terms of R&D&I in the light of the state-of-the-art in the sector concerned.
- Projects comprising of industrial deployment must allow for the development of a new product or service with high research and innovation content and/or the deployment of a fundamentally innovative production process. Funding support is for first industrial deployment and for upscaling, but excluding mass production or commercial activities.

Environmental, energy or transport projects must either be of great importance for the environmental, energy, including security of energy supply, or transport strategy of the Union or contribute significantly to the internal market.

The precise eligibility conditions for IPCEI projects will be determined in the individual State aid decisions. While a decision on the battery alliance already exists[7], the discussions on IPCEIs for hydrogen are still on-going and no State aid decision has yet been adopted. It will be important to see the extent to which projects will be both eligible for the IF and IPCEIs.

To a limited extent the activities may fall under the R&D&I State aid rules. The **RDIF** allows aid for R&D projects up to experimental development, but also innovation aid for SMEs, aid for innovation clusters, and aid for process and organisational innovation.

2.2.3 What type of relevant/eligible costs the different funding regimes cover?

- **The IF** covers 60% of the **relevant costs** (additional CAPEX and additional OPEX for 10 years minus all the benefits arising within the same period after the entry into operation of the project) in comparison to a conventional technology.

[7] https://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_54809

- The **GBER** covers a wide variety of costs according to the type of project to be undertaken by investors, and therefore it is defined on a case by case basis[8]. As a general rule, the eligible costs are the extra investment costs (CAPEX) necessary to go beyond the applicable Union standards or to increase the level of environmental protection in the absence of Union standards. This could be either the total investment cost (if the environmental protection-related cost can be separately identified) or the cost comparing the investment with a similar, less environmentally friendly investment that would have been credibly carried out without the aid (the counterfactual).
- **EEAG** applies the incentive effect by limiting the aid to those cases inducing the beneficiary to a change in its behaviour and should not subsidise the cost of an activity that would anyhow occur or the implementation of legislation. It therefore limits the State aid for energy and environmental protection to the **extra investment costs** (only CAPEX) directly linked to the achievement of the environmental protection objective; it refers to either the total investment costs of a separate component of a facility or the cost comparing the investment with the counterfactual situation.

  The concept of relevant costs to be funded under the IF regarding the CAPEX is therefore similar to the extra investment costs under the EEAG.
- The **IPCEI State aid guidelines**[9] establish the rules for State aid support to projects considered as providing an important contribution to the Union's objectives, such as the 2030 framework for climate and energy policies. They also apply the necessity and proportionality of the aid rules limiting the aid to the costs of a project beyond costs related to the normal business risk and which the undertaking would incur anyhow. It covers those costs without which the project's realisation would be impossible. The aid would therefore be estimated in relation to the counterfactual (situation where no aid is awarded) or the alternative project that would happen if the aid did not exist. In the absence of alternative project, the aid should not exceed the minimum necessary for the aided project to be profitable. The eligible costs cover in principle the CAPEX, including the cost of feasibility studies, the cost of permissions and patents of intangible assets, the cost of instruments, equipment, material and supplies as well as the cost of the acquisition/construction of buildings, infrastructure and land[10]. OPEX are covered as long as they are directly incurred for R&D&I activities or related to first industrial deployment. This list is only indicative since other costs might be accepted if justified as long as they are inextricably linked to the realisation of the project. If justified by the funding gap analysis, the aid intensity could reach up to 100 % of the eligible costs.
- Under the **RDIF**, eligible costs for R&D projects include personnel costs, costs of instruments and equipment and buildings and land, to the extent and for the period used for the project, and certain OPEX such as costs of contractual research, knowledge and patents, etc.

2.2.4 What is the maximum aid intensity allowed under State aid rules?

The **GBER** mostly covers investment costs. Taking into account the type of projects that can be financed by the IF, the following aid intensity rules under the GBER are relevant:

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[8] For a more complete outlook on the case-by-case scenarios please consult Section 7 of the GBER (Articles 36-49).

[9] Communication from the Commission — Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest (2014/C 188/02)

[10] Annex to the IPCEI Guidelines

- Aid for research infrastructure: the aid intensity shall not exceed 50% of the eligible costs covering investment costs in intangible and tangible assets;
- Aid for research and development: the aid intensity shall not exceed: (a) 100% of the eligible costs for fundamental research; (b) 50% of the eligible costs for industrial research; (c) 25 % of the eligible costs for experimental development; (d) 50 % of the eligible costs for feasibility studies. Eligible costs include personnel costs; costs of instruments, equipment, buildings and land used; costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions; additional overheads and other operating costs.
- Aid for environmental protection: 40% of the extra investment cost to go beyond EU standards for environmental protection or to increase the level of protection (separate investment or reference to a similar less environmental investment that would be carried out without the aid);
- Energy efficiency measures: 30% of the extra investment costs to achieve a higher level of energy efficiency (separate investment or counterfactual);
- Highly efficient cogeneration: 45% of extra investment costs for equipment for the installation to be high efficient compared to conventional installation;
- Renewable electricity production for new installations (excluding food-based biofuels or hydro not complying with Water Framework Directive): 45% of extra investment costs (separate investment or counterfactual) and promotion of renewable electricity production: operating costs in a competitive bidding process until the plant has been fully depreciated;
- Waste recycling and re-utilisation: 35% of extra investment costs for more efficient recycling or re-use activities compared to conventional activities;
- Energy infrastructure: investment costs not exceeding the difference between investment costs and operating profit of the investment.

The GBER sets the framework for **cumulation of funding** in Article 8[11] establishing that where funding centrally managed by EU institutions is combined with State aid, only the 'total amount of State aid for the activity, project or undertaking shall be taken into account' when defining the notification thresholds or maximum aid intensities, provided that 'the total amount of public funding granted in relation to the *same eligible costs should not exceed the most favourable funding rate laid down in the applicable rules of Union law*'. The concept of 'rules of Union law' is understood as any EU rules on funding, including the GBER or other funding mechanisms like the IF Delegated Regulation which establishes that the cumulative financing shall not exceed the total eligible costs of the project . It is worth noting that according to the rules under the GBER, the most favourable funding rate rules also apply to situations where different sources of State aid are cumulated.

As the aid intensities under GBER are in the above cases below the maximum funding rate of 60% with the IF, a cumulation of IF with GBER will not allow a higher funding than under the IF itself.

The **EEAG** specify the maximum aid intensity that would apply to environmental protection and energy projects. Different maximum intensities are set depending on the size of the enterprise or whether it's a bidding process. Individually notified projects are treated on a case by case basis. An indicative list of relevant type of projects that can be financed by the IF is presented below with their corresponding aid intensity rules as set under the EEAG:

- Waste Management: a) 55% of the eligible costs for a small enterprise b) 45% of the eligible costs for a medium enterprise and c) 35% of the eligible costs for a large enterprise
- Renewable energy sources and co-generation installations : a) 65% of the eligible costs for a small enterprise b) 55% of the eligible costs for a medium enterprise and c) 45% of the eligible costs for a large enterprise (and 100% in any case if it is a bidding process)
- Improvement of energy efficiency: a) 50% of the eligible costs for a small enterprise b) 40% of the eligible costs for a medium enterprise and c) 30% of the eligible costs for a large enterprise (and 100% in any case if it is a bidding process)
- Energy and district heating infrastructure: 100% of the eligible costs
- Carbon capture and storage: 100% of the eligible costs

Those aid intensities may be increased by a bonus of 5 % points in regions covered by Article 107(3)(c) or by a bonus of 15 % points in regions covered by Article 107(3)(a) of the Treaty up to a maximum of 100 % aid intensity.

In case that the maximum aid intensities under EEAG are below the maximum funding rate of 60% with the IF, a cumulation of IF with aid under EEAG will not allow a higher funding than under the IF itself. However, in those cases – e.g. CCS – where the maximum aid intensities are higher than 60%, a co-financing by IF support and EEAG aid can go up to the aid intensity as set by the EEAG.

For the **IPCEI**, the maximum aid level is determined in two steps: the aid cannot exceed 100% of the eligible costs or the **funding gap**. The funding gap is defined as the difference between the positive and negative cash flows over the lifetime of the investment, discounted to their current value on the basis of an appropriate discount factor reflecting the rate of return necessary for the beneficiary to carry out the project notably in view of the risks involved. In other words, **positive cash flow + negative cash flow over the investment lifetime – value discount factor including % of return**. For the purposes of the funding gap analysis, possible funding from other sources such as the IF is considered as a positive cash flow.

Depending on the precise rules in the applicable IPCEI decision, a co-financing by IF support and IPCEI aid could go beyond the maximum funding rate of 60% of the relevant costs under the IF.

Under the **RDIF**, aid intensities vary depending on the closeness of the R&D activity to the market, the size of the company and in addition it provides for a collaboration and dissemination bonus.

2.2.5 Should applications be submitted at the same time?

Applicants are requested to indicate, in the application form, any other public support provided to the project. Where the application indicates additional Union support or State aid support, adjustments may be made, where necessary, in the final amount(s) of EU or national contribution(s) accordingly, in order to enable the most favourable combination but also to avoid double funding. Furthermore, at entry into operation, beneficiaries will be required to submit a statement by an independent auditor confirming the correctness of the relevant costs calculation.

Please note that under State aid law, aid applications must be submitted to national authorities before start of works. For what concerns specifically IPCEI, it is recommended that interested Member States select potential aid beneficiaries through a competitive, transparent and non-discriminatory procedure.

2.2.6 Further information for applicants

Applicants should regard the information provided as advisory only, since any State aid notifications are unique to the project and its own funding circumstances. Any applicant that is seeking to benefit from State aid, in the form of project-specific support, is advised to contact their National Contact Point responsible for State aid as soon as possible in order to understand fully the implications of using funding from a national programme cumulated with the IF and the timing for applications.

Due to the different nature of the projects for which an application for IF financing is submitted, certain questions need to be answered on a case by case basis. For example, if there is more than one State aid regime available, questions related to the more favourable funding rate or how they can be cumulated to provide the maximum support within the State aid rules need to be analysed in relation to the individual project situation.

3 Combining support from the IF with the EU centrally-managed programmes

Article 19 of the Innovation Fund Delegated Regulation[12] establishes that a project receiving IF support may also receive a contribution from any other Union programme including Funds under shared management, provided that the contributions do not cover the same costs. ‘Same cost’ is understood as a rule to avoid double funding. The cumulative financing shall not exceed the total eligible costs of the project.

As regards the cumulation of EU funds from different EU Programmes, an action/project may be financed jointly from different EU programmes if this possibility is set up in the relevant basic acts. If not, each action may be give rise to the award of only one grant (see principle of non-cumulative award – article 191 Financial Regulation).

It is possible for applicants to seek funding from different EU centrally-managed support programmes which cover projects with environmental and innovation objectives. Apart from the

[12] Commission Delegated Regulation (EU) 2019/856 of 26 February 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund

EU Funding distributed through the national authorities of the Member States under the shared management, the EU has launched a wide variety of funding and financing instruments that provide direct support for environmental and innovation projects and that are managed centrally by the EU institutions or their agencies. An indicative list of programmes with objectives that might coincide with those of the IF is presented below:

- **LIFE** is the European's Union financial instrument that supports environmental and nature conservation projects across the EU, supporting other EU strategies and plans for the environment and climate. While 75% of LIFE covers projects of innovative character connected to environment and resource efficiency, biodiversity/nature and governance 25% targets Climate Change Mitigation, Climate Change Adaptation and Climate Governance and Information. (More information is available here)
- **Horizon 2020 and its successor programme Horizon Europe** is a programme focused on research and innovation and supports (among other entities) private companies engaged in innovative projects. Horizon 2020 / Horizon Europe target cross sectoral projects and projects focusing on climate action, environment, resource and energy efficiency as well as smart, green and integrated transport. (More information is available here and here)
- **The Connecting Europe Facility** supports the development of high performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services. Some of these require huge investments; for example in the field of energy, it also targets projects which need to be implemented in order to meet the Union's energy and climate objectives. (More information is available here)
- **The InvestEU Programme** builds on the successful model of the European Fund for Strategic Investments (EFSI, also known as the "Juncker Plan") with the aim of giving an additional boost to investment, innovation and job creation in Europe. It will bring together, under one roof, the EFSI and other 13 EU financial instruments currently available. The InvestEU Programme will consist of:
    - The InvestEU Fund: Mobilising public and private investment using an EU budget guarantee for providing additional debt and equity financing to operations eligible under its policy windows.
    - The InvestEU Advisory Hub: Providing advisory support to investment projects.
    - The InvestEU Portal: An easily accessible database that matches projects with potential investors worldwide.

(More information is available here).

There are other funding opportunities that the applicant may consider combining with the IF. However, issues related to their complementary combination and cumulation effects would require a case by case assessment based on the current changes in the relevant legislation. The following section focuses on examples relating to the possible combination of the IF with the Connecting Europe Facility or the InvestEU programme.

3.1 Connecting Europe Facility and IF

In this particular section, the focus is around potential combination of the IF with the Connecting Europe Facility (CEF). This EU programme is an important element in delivering the EU's economy-wide commitments under the Paris Agreement and supporting Commission's strategic vision of a climate-neutral Europe by 2050.

3.1.1 What type of projects does the CEF programme cover?

Under the current CEF 1 programme (2014-2020), only projects of common interest (PCIs) are eligible for CEF support, including the following TEN-E infrastructure categories:

- Electricity and natural gas transmission and storage infrastructure;
- Cross-border smart grids; and,
- CO_2 transportation projects.

Nevertheless, the TEN-E Regulation is currently under revision and new infrastructure categories, such as carbon-neutral gases, including H_2 and Power to Gas or CO_2 Storage, may be included as eligible. Under the next CEF programme, in the period 2021 to 2027, cross-border projects in the field of renewable energy may be also eligible for CEF support.

3.1.2 What types of cost does the CEF programme cover?

CEF provides an investment grant which covers part of the capital costs of specific actions of a cross-border project. As well, CEF can finance the cost of studies, independently from the works.

Eligible costs include: the cost of equipment, facilities and infrastructure with the treatment of capital expenditure for a specific action related to a PCI. Action is defined as any activity identified as financially and technically independent, which has a set time-frame and is necessary for the implementation of a project. **The general maximum co-funding rate applicable to actions under CEF is 50%** (exceptionally for works it could be 75%).

3.1.3 Can the 2020 CEF call be combined with the IF first call?

The CEF-Energy call 2020 (the last CEF 1 call) was launched on 13 March 2020, with a budget of EUR 980 million for studies and works and deadline for applications on 27 May 2020. The first call under IF was launched on 3 July 2020, with a total budget of EUR 1 billion, with a deadline for applications on 29 October 2020.

The current CEF-Energy call abides by the rules of CEF 1 Regulation, under which additional funding from other EU programmes is not foreseen. This means that CO_2 transport assets funded by CEF 1 cannot receive funds to complement the CEF support for the same activities and eligible costsfrom other EU programmes. Hence, promoters in this sector would apply to IF only if they were not successful in the last call of CEF 1, or if they chose to apply to the IF with the objective of gaining a higher co-funding rate. They may also apply for the IF funding later, e.g. once the study financed under CEF 1 is concluded and the project reaches sufficient level of maturity required under the IF.

3.1.4 Can the future CEF be combined with the IF? What are the cumulation rules?

Under the proposal for CEF 2 Regulation, an action that has received a contribution under CEF may also receive a contribution from any other Union funding programme, provided that the contributions do not cover the same costs.

The rules of each contributing Union programme shall apply to its respective contribution to the action. The cumulative funding shall not exceed the total eligible costs of the action and the support from the different Union programmes may be calculated on a pro-rata basis.

At the moment, only actions of electricity storage (except pumped hydro) and CO_2 (CCS) PCIs are eligible under both IF and CEF. However, some new types of project may be added to this after the TEN-E Revision, such as cross border renewables projects which would be eligible for both EU programmes upon establishment of the PCI list by the Commission.

The general maximum co-funding rate for CEF is 50% of the project CAPEX, while IF covers a maximum of 60% of additional innovative CAPEX and first-10-years additional OPEX of large scale projects, or up to 50% of CAPEX for small-scale projects.

It is hence possible to co-finance the IF projects also from CEF, if the combined financing does not exceed the total eligible costs (i.e. 100% of CAPEX in case of projects co-financed under CEF). In case a cumulative support would go beyond the 100 % of total eligible costs, the support would need to be reduced accordingly or on a pro rata basis. However, in order to allow for the cumulation of support, the respective costs being supported under CEF and IF need to be differentiated, in view of avoidance of double funding of the same costs.

3.2 Combining support from the IF with the InvestEU programme and InnovFin EDP

InvestEU Programme is a successor to the European Fund for Strategic Investments (EFSI), a major EU funding instrument based on the EU budget guarantee allowing the EIB Group and other Implementing Partners by supporting debt and equity eligible operations.. By providing a budgetary guarantee to such operations, InvestEU will de-risk economically viable projects to crowd-in private finance. This represents an additional co-financing opportunity for the projects eligible under the Innovation Fund, in particular those seeking additional financing in order to financially close their investments.

The InvestEU programme contributes to finance the implementation of the European Green Deal and, as recently agreed, to support EU countries financing measures to fight the impact of the Covid-19 crisis. The legal basis is currently being reviewed and the specific financing products which will also allow co-financing of IF projects are under development, in particular under the Research, innovation and digital window and under the Sustainable Infrastructure window.

InnovFin Energy Demonstration Projects provides loans, loan guarantees or equity-type financing typically between EUR 7.5 million and EUR 75 million to innovative demonstration projects in the fields of energy system transformation, including but not limited to renewable energy technologies, smart energy systems, energy storage, carbon capture and storage or carbon capture and use, helping them to bridge the gap from demonstration to commercialisation. The instrument will be continued in 2021-2027 under the InvestEU programme, once established.

3.2.1 Can an Innovation Fund grant award be combined with the InnovFin EDP or future InvestEU programme?

Yes. As mentioned before, Article 4 and 14 of the IF Delegated Regulation establishthat the support to a project may take the form, inter alia, of contributions to blending operations under InvestEU.

An illustration of how IF grant award beneficiaries could use also InvestEU or InnovFin EDP to complement their IF funding - and cover an additional part of the total capital expenditure of the project - is shown in the figure below. As demonstrated under the InnovFin EDP programme co-financing of the NER300 projects, a project that receives the IF grant support (of up to 60% of the relevant costs) may receive additional Union co-financing e.g. in the form of debt. Under the InvestEU programme the project may receive a guarantee on a loan of up to 50% of total project costs which may crowd-in additional private financiers. The proponent will be required to provide sufficient financing. The cumulative support from the EU Programmes cannot go beyond the project's eligible costs (in case of InvestEU the total project costs). Neither the Innovation Fund support nor the InvestEU loan are subject to state aid threshold limitations, as in both cases, no Member State support is involved.