



## Innovation Fund Delegated Regulation - Frequently Asked Questions

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#### 1. What is the Innovation Fund?

The Innovation Fund is one of the funding instruments supporting the European Commission's strategic vision for a climate neutral Europe by 2050 as outlined in its communication "[A Clean Planet for All](#)" of 28 November 2018. The Fund will support the demonstration of low-carbon technologies and processes in energy intensive industries (including products substituting carbon intensive ones), environmentally safe carbon capture and utilisation and storage of carbon dioxide (CCU and CCS), innovative renewable energy and energy storage technologies.

The Innovation Fund will help create the right financial incentives for companies and public authorities to invest now in the next generation of low-carbon technologies needed for EU low-carbon transition. It will thus boost EU competitiveness by empowering EU companies with a first-mover advantage to become global technology leaders. It aims to support innovative low-carbon technologies in these sectors in all Member States take off and reach the market. The Fund aims to achieve better sharing of the risk with project promoters to help with the demonstration of first-of-a-kind highly innovative projects.

The Innovation Fund is established by the [EU Emission Trading System \(EU ETS\) Directive](#) for the period 2021 to 2030 and is endowed with at least 450 million allowances, which can amount to around €10 billion depending on the carbon price. As a successor of the [NER300 programme](#), it will also pool together any undisbursed revenues from it.

#### 2. How will the Innovation Fund work?

The Innovation Fund will offer effective financial support, adapting to the market needs and the risk profiles of the projects, while attracting additional public and private resources. It will fund sufficiently mature projects with the biggest innovation potential. The Innovation Fund will have an efficient, simple and flexible management. It will work in synergy with the [InvestEU](#) and other EU programmes on research and innovation for low-carbon technologies.

The Commission aims to launch the first call for proposals already in 2020, followed by regular calls until 2030.

The Commission will manage the Innovation Fund with the support of a public implementing body. Member States will be consulted on key decisions (calls for proposals, pre-selected projects). This combination will ensure efficient, simple and sufficiently flexible management of the Innovation Fund.

#### 3. How does the Innovation Fund compare to the existing NER300 programme?

The Innovation Fund builds on the lessons learnt from the NER 300 programme. A key takeaway is that selecting immature projects and providing support too late in the project lifespan in an inflexible way led to a low success rate of projects. The recent [European Court of Auditors report on the NER300 programme](#) helped identify other key areas for improvement and the Innovation Fund governance follows these recommendations.

The Innovation Fund support will be provided in a more flexible way, following the cash flow of the project through pre-defined milestones, with clear criteria for withdrawing funding in case of failure in order to make funds available to other projects as quickly as possible. The decision-making process is simplified and better coordination with other funding programmes. The selection procedure is also simplified and takes into account the economic viability of projects, their compliance with EU and national climate and energy policy priorities and the existence of a firm commitment from Member States vis-à-vis the project.

Furthermore, the Innovation Fund has an expanded scope compared to the NER300 programme as it is

also open to highly innovative projects from energy intensive industries.

#### **4. What projects can receive funding from the Innovation Fund?**

The Innovation Fund will focus on highly innovative technologies with European added value that can bring on significant emission reductions in multiple sectors and unleash further low-carbon investments in all Member States. At the same time, the projects need to be sufficiently mature in terms of planning, business model, financial and legal structure.

The Innovation Fund aims to finance a broad variety of projects achieving an optimal balance of a wide range of innovative technologies in all eligible sectors (energy intensive industries, renewable energy, energy storage, CCS and CCU) and Member States. It is important that the projects financed by the Fund are at advanced technology readiness levels so the Innovation Fund helps them reach the market with a competitive advantage and viability. The Fund is also aiming to support cross-cutting projects bringing innovative low-carbon solutions leading to emission reductions in multiple sectors, for example through industrial symbiosis or business model innovation.

The Innovation Fund aims for an optimal geographical and sectoral balance of the project portfolio it will support, financing big projects which can reduce emissions substantially in key sectors. While under the NER300 programme the maximum size of the grant awarded was €300 million and the average grant was €54 million, the Innovation Fund has a much higher maximum support level and is thus aiming higher: supporting big flagship projects that can make a tangible difference in the EU's low-carbon transition.

The Innovation Fund will also be open for small-scale projects with eligible costs under €7.5 million which can benefit from simplified arrangements for application, selection and definition of relevant costs.

#### **5. What type of financial support does the Innovation Fund offer?**

The Fund will support up to 60% of the additional capital and operational costs linked to innovation mainly via grants. The grants will be disbursed in a flexible way based on the needs of the market and of the concrete project, taking into account the milestones achieved during the project's lifetime. Up to 40% of the grant can be given based on pre-defined milestones before the whole project is fully up and running. This way the Innovation Fund will give support in a flexible manner, following the cash flow of each project.

#### **6. How can projects apply?**

Project proponents can submit their applications for funding when there is an open call for proposals. The Commission aims to launch the first call for proposals already in 2020, followed by regular calls until 2030.

The application procedure will be organised in two phases. In the first phase, the project proponent submits an expression of interest application with a description of the key characteristics of the project that will allow the Commission to assess its potential effectiveness in avoiding emissions as well as the degree of innovation and the maturity of the project. If the project scores sufficiently on these criteria, the project proponent will be invited to submit a full application that will allow the Commission to assess the remaining two selection criteria: potential for widespread application and cost efficiency in terms of emissions avoidance.

If a project scores sufficiently on the first two criteria (effectiveness and degree of innovation), but is not sufficiently mature, it can apply for project development assistance grants also funded by the Innovation Fund which can help the project proponent improve the project so it can then apply directly to the second phase of the application procedure in the following call for proposals.

#### **7. How will projects be selected?**

The Innovation Fund aims to finance low-carbon breakthrough innovative projects that contribute to the strategic vision of a climate neutral Europe by 2050.

The projects will be selected based on the selection criteria consistent with this vision as defined in the Commission Delegated Regulation on the Innovation Fund. These criteria are the following:

- potential to avoid greenhouse gas emissions,
- degree of innovation,
- maturity in terms of planning, business model, financial and legal structure,

- potential for widespread application and
- cost efficiency in terms of emissions avoidance.

Details on various aspects of the methodology for the application of the selection criteria, such as definition of the relevant costs, comparison with conventional technology etc., will be provided in the documentation accompanying the calls for proposals.

#### **8. What information will the calls for proposals contain?**

The Commission Delegated Regulation on the Innovation Fund provides the overall framework for its operation. Further details and specific information will be provided in the Commission decisions launching the calls for proposals.

Each such decision will contain information on:

- the overall amount of support available for the call, including the amount foreseen for project development assistance,
- the types of solicited projects or sectors,
- the application and selection procedure, including a detailed list of information and documentation and clarifications on the methodology for selecting projects.

Some calls may specify also an amount of funding reserved for small-scale projects and possible additional selection criteria to ensure an optimal geographical balance of funded projects.

Details on various aspects of the methodology for applying the selection criteria, such as definition of the relevant costs, comparison with conventional technology etc., will be provided in the documentation accompanying the calls for proposals.

The calls for proposals will be widely advertised and will allow sufficient time for project proponents to apply for funding.

#### **9. Can a project receive support from the Innovation Fund in addition to support from other sources?**

Yes. The Innovation Fund will support up to 60% of the additional costs related to innovation. Hence, funding from other EU or national programmes and in other forms of support (financial instruments) will be very important for all projects, especially for the big ones. Therefore, the Innovation Fund will complement and work in synergy with other EU and national funding programmes. The Innovation Fund grants can be complemented with repayable support (debt, equity, guarantees) through blending with the InvestEU programme.

#### **10. How will the allowances for the Innovation Fund be monetised?**

The allowances for the Innovation Fund will be monetised in line with provisions to be set out in the amendment of the Auctioning Regulation. The Commission will base its work on the aspects outlined in the impact assessment accompanying the delegated regulation on the Innovation Fund, aiming to avoid significant impacts on the functioning of the carbon market and striving to make funding available in a timely manner to selected projects.

#### **11. What is the project development assistance?**

The Innovation Fund aims to attract highly innovative low-carbon projects that are at the same time sufficiently mature and likely to take off the ground, reach the market quickly and be economically viable.

Responding to the concerns of stakeholders, the Commission has designed a special tool – project development assistance (PDA) – to further support highly innovative projects that have a potential to deliver substantial emission reductions but may need improvement in terms of planning, business model, documentation, financial and legal structure etc. Such projects will receive a grant from the Innovation Fund already after the first phase of the application procedure to cover their costs related to project development, such as improving and developing the project documentation, the feasibility assessment, advice on the financial and legal structure of the project and capacity building for the project proponent. It is expected that the PDA will bring these projects to the maturity level allowing direct access to the second phase of the application procedure in the following call for proposals.

Projects proponents can also explicitly ask for PDA in their applications.

## **12. How is the Innovation Fund different from other EU or national programmes?**

The Innovation Fund focuses on supporting highly innovative low-carbon technologies and projects to reach the market once they have successfully passed the research phase. It is not a new research funding programme as it focuses on closing the financial gap right before bringing an innovative project or technology to the market.

Therefore, the Innovation Fund is complementary to other EU funding programmes and it will not crowd out other public or private investment. It will complement Horizon 2020 and Horizon Europe funding given to the earlier stages of projects as it will support the later stages of technological development closer to commercialisation. The Innovation Fund will also be complementary to the European Regional Development Fund that supports wider innovation activities, as well as to the Connecting Europe Facility and the European Structural and Investment Funds, including the Cohesion Funds, that can support the infrastructure elements of a project.

As the Innovation Fund can cover up to 60% of the eligible costs of a project, combining its support with other funding, for instance from EU and/or national programmes, is of crucial importance to close the financing gap of innovative projects. At EU level, the InvestEU programme will be able to give loan guarantees or equity contributions to projects financed by the Innovation Fund, and vice versa: the Innovation Fund can top up risk coverage provided by the InvestEU, especially for bigger projects. At national level, projects supported by the Innovation Fund can also benefit from national research and innovation funding, provided that the State aid rules are respected.

## **13. What will happen to the NER300 programme/projects? Will there be a call in 2019?**

The publication of further calls for proposals under the NER 300 programme is not foreseen and the programme should be considered closed. The Commission is now focusing on the implementation of the projects selected for funding. More information about NER300 successful projects can be found [here](#).

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