Innovation Fund (InnovFund)

Call for proposals

Innovation Fund Large-scale Projects

InnovFund-LSC-2020-two-stage

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CALL FOR PROPOSALS

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1. Introduction

1.1. Overall context

This is a call for proposals[1] for EU grants in the field of demonstration of innovative low-carbon technologies under the Innovation Fund (IF). The call is launched in accordance with Commission Delegated Regulation (EU) 2019/856[2] implementing Article 10a(8) of EU Directive 2003/87/EC[3] (the EU ETS Directive) and will be managed by the Innovation and Networks Executive Agency (INEA).

It covers the following **topic**:

- **INNOVFUND-LSC-2020** (Topic 1) — Large-Scale Projects

The call targets projects in all sectors covered by Article 10a(8) of the EU ETS Directive.

Only projects with a total capital expenditure above EUR 7 500 000 are eligible under this call.

The funds set aside for this call are EUR 1 000 000 000 for the grants and EUR 8 000 000 for the project development assistance (PDA). The grants will be provided as lump sums.

This call text describes the process for application, evaluation, selection and award of grants to projects applying for funding under this call.

This call is implemented in two stages as outlined in the timetable in *section 3.1*.

Applicants are invited to read carefully the full call for proposals text, including the Annexes and the instructions for proposal submission in the Funding & Tenders Portal Online Manual and IT How To.

1.2 Helpdesk

Applicants should visit the call page on the EU Funding & Tenders Portal where the frequently asked questions (FAQs) are published and regularly updated before the deadline for application. If applicants cannot find answers to their questions there, they can ask questions via the EU Funding and Tenders Portal Helpdesk page (IT questions and call related questions).

2. Objectives — Themes & priorities — Activities that can be funded — Expected impact

2.1 Objectives

The objectives of this call are to:

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1 Please consult the Glossary of the Funding and Tenders Portal for explanation of the terms used in this text specific to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018, p.1 (hereafter the Financial Regulation). Terms specific to the Innovation Fund are explained in Annex A Glossary.

2 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, OJ L 140, 28.5.2019, p. 6.

3 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, OJ L 275, 25.10.2003, p. 32.

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

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

2.2 Activities that can be funded

The following activities can be funded under this call:

- activities that support innovation in low-carbon technologies and processes in sectors listed in Annex I to the EU ETS Directive, including environmentally safe carbon capture and utilisation (CCU) that contributes substantially to mitigating climate change, as well as products substituting carbon intensive ones produced in sectors listed in Annex I to the EU ETS Directive,

- activities that help stimulate the construction and operation of projects that aim at the environmentally safe capture and geological storage of CO_2(CCS),

- activities that help stimulate the construction and operation of innovative renewable energy and energy storage technologies.

Carbon capture and utilisation can be funded if the capture of CO_2 occurs within one of the activities listed in Annex I of the EU ETS Directive, or if the utilisation of CO_2 results in products substituting carbon intensive ones from the sectors listed in Annex I to the EU ETS Directive even if carbon is captured outside the activities of Annex I.

2.3 Expected impact

Projects to be funded by this Innovation Fund call are expected to contribute to the transition to a climate-neutral economy and to achieving the policy objectives as set out in the European Commission's communication - A Clean Planet for All - A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy long-term strategy, also referred to as the **Long-term strategy**[4] and the **European Green Deal**[5].

Moreover, Innovation Fund projects are expected to contribute to all the following EU policy objectives, in so far as they are relevant for the project in question:

- The **Integrated SET Plan**[6], which defines the new European research and innovation energy-related agenda covering the European energy system as a whole and going beyond the 'technology silos' concept.

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[4] Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions and the European Investment Bank, A Clean Planet for all A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy (COM (2018)773 final)

[5] Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal, (COM (2019) 640 final)

[6] https://setis.ec.europa.eu/actions-towards-implementing-integrated-set-plan

- The **New Industrial Strategy for Europe**[7] and the **Communication on a recovery plan for Europe**[8], which aims to reinforce industrial competitiveness and strategic autonomy, reducing dependence on others for things Europe needs the most, including critical materials and technology.
- The new **Circular Economy Action Plan**[9], which updates the Action Plan of 2015, aims at scaling up the circular economy from front-runners to the mainstream economic players in order to contribute to achieving climate neutrality by 2050 and decoupling economic growth from resource use, while ensuring the long-term competitiveness of the EU and leaving no one behind.
- The shift to **renewables** and increased electrification are crucial to achieve carbon neutrality by 2050. The share of electricity produced by renewable energy sources is expected to grow from 25% to more than 50% by 2030. At the same time, electricity must also be produced and delivered in sufficient quantities when there is no wind or sun.[10]
- The **LULUCF Regulation**[11] sets out a framework for climate-friendly agriculture and forestry to increase the removal of CO_2 from the atmosphere through action in these sectors.
- The **EU Biodiversity Strategy for 2030**[12] aims to halt the loss of biodiversity and ecosystem services in the EU and worldwide.
- The **Bioeconomy Strategy** [13] aims to accelerate the deployment of a sustainable European bioeconomy. In particular projects which use biomass feedstocks must demonstrate to which extent they contribute to more climate-friendly land use.

3. Timetable & available budget

3.1 Timetable

Activity	Timing
Launch of the call	3 July 2020
Deadline for submission of applications for the first stage	29 October 2020 at 17:00 (CET, Brussels)

7 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, A new industrial strategy for Europe, (COM (2020) 102 final).

8 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The EU budget powering the recovery plan for Europe, (COM (2020) 442 final).

9 Communication from the Commission "New Circular Economy Action Plan For a cleaner and more competitive Europe", COM/2020/98 final

10 https://ec.europa.eu/energy/topics/markets-and-consumers/market-legislation/electricity-market-design_en

11 https://ec.europa.eu/clima/policies/forests/lulucf_en#tab-0-0

12 https://ec.europa.eu/environment/nature/biodiversity/strategy/index_en.htm#stra

13 Communication from the Commission "A sustainable Bioeconomy for Europe: Strengthening the connection between economy, society and the environment" COM/2018/673 final

Information on evaluation results and invitation for the second stage or PDA	First quarter 2021 (indicative)
Deadline for submission of applications for the second stage	Second quarter 2021 (indicative)
Information on second stage evaluation results	Fourth quarter 2021 (indicative)
Award of the grants	End 2021 (indicative)

3.2 Budget

The available budget for this call is **EUR 1 000 000 000 for grants** and **EUR 8 000 000** for project development assistance (PDA). The grants will be provided as lump sums.

The Commission reserves the right not to award all available funds and adjust the call amounts, depending on the applications received and the results of the evaluation.

4. Admissibility

Applications must be submitted before the **call deadline** *(see timetable section 3.1)*.

Applications must be submitted **electronically** via the Funding & Tenders Portal Electronic Submission System (accessible via the Topic page in the Search Funding & Tenders section). Paper submissions are NOT possible.

Applications (including supporting documents) must be submitted using the forms provided *inside* the Submission System (NOT the documents available on the Topic page — they are only for information).

Applications must be **complete** and contain:

- Application Form (Part A) (to be filled in directly online) — contains administrative information about the participants (future coordinator, beneficiaries and affiliated entities) and the summarised budget for the project
- Application Form (Part B) (to be downloaded from the Portal Submission System, completed and then assembled and re-uploaded as PDF in the system) — contains the technical description of the project
- Mandatory supporting documents listed in Application Form (Part B); and optional supporting documents listed in Application Form (Part B) if available (to be uploaded in the format indicated in Application Form (Part B)).

For multi-applicant proposals, the project coordinator will have to confirm its **mandate to act** for all applicants, that the information in the application is correct and complete and that all the applicants comply with the conditions for receiving EU funding (especially eligibility, financial and operational capacity, exclusion, etc.). Before signing the grant, each applicant will have to confirm this again by signing a declaration of honour.

The application must be **readable**, **accessible and printable**.

There are specific **page limits** to the applications forms (for the first and second stage) and their supporting documents. These are specified in Application Form (Part B). Any excess pages will be blanked for evaluators and therefore disregarded.

Only the applications invited to the second stage as an outcome of the first stage evaluation will be admissible to the second stage.

5. Eligibility

The eligibility conditions set out in this section apply to both the first and the second stages of application.

5.1 Applicants

In order to be eligible for funding under this call, the applicants must be:

- legal persons
- belong to one of the following categories: private entities, public entities, or international organisations[14]
- be directly responsible for the implementation and management of the project where relevant jointly with other applicants, i.e. not acting as an intermediary.

The minimum number of applicants is one.

Applications may be submitted by a consortium of legal entities acting together. In the case of an application by a consortium of legal entities, the funding is awarded to the consortium, which is responsible for delivering the project. The entities participating in the consortium will have to sign a consortium agreement among themselves – establishing their internal arrangements and designate a project coordinator – before signing the grant agreement.

Affiliated entities that participate in the project with funding, but do not become beneficiaries, are allowed.

Natural persons are NOT eligible. EU bodies can NOT be part of the consortium.

EU restrictive measures — Special rules apply for entities from certain countries, for example, entities subject to EU restrictive measures under Article 215 of the Treaty on the Functioning of the EU (TFEU)[15] and entities covered by Commission Guidelines No 2013/C 205/05[16]. Such entities are not eligible to participate in any capacity, including as beneficiaries, affiliated entities, associated partners, subcontractors or recipients of financial support to third parties (if any).

To prove eligibility, applicants and affiliated entities must register in the Participant Register — before the call deadline — and afterwards will be requested to upload the necessary documents showing their legal status and origin.

5.2 Activities

Only large-scale projects with a total capital expenditure above EUR 7 500 000 are eligible under this call.

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14 For the definition, see Article 156 EU Financial Regulation 2018/1046.

15 Please note that the EU Official Journal contains the official list and, in case of conflict, its content prevails over that of the EU Sanctions Map.

16 Commission guidelines No 2013/C 205/05 on the eligibility of Israeli entities and their activities in the territories occupied by Israel since June 1967 for grants, prizes and financial instruments funded by the EU from 2014 onwards (OJEU C 205 of 19.07.2013, pp. 9-11).

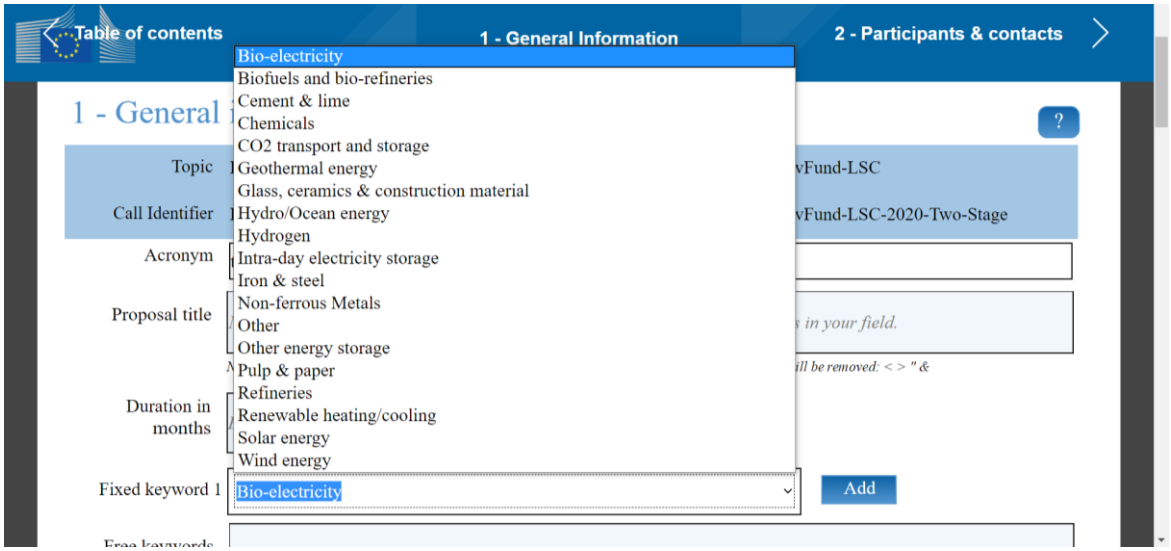
The projects concerning the activities listed in *section 2.2* are eligible for funding. Applicants will specify the sector their project belongs to in the application form. Further guidance on how to select the most appropriate sector is given in *Annex C Methodology for GHG emission avoidance calculation*.

The applicants will be required to demonstrate the eligibility of the projects by providing the required information on the activities in the application forms.

Choosing your sector

In Application Form Part A, you will specify the sector your project belongs to. Further guidance on how to select the most appropriate sector is given in *Annex C Methodology for GHG emission avoidance calculation*.

The sectors are displayed in the drop-down menu **Fixed Keyword 1**. It is important to **choose only one sector**, even if the Submission System allows to add several Fixed Keywords. See example below:



5.3 Geographical scope

Only actions implemented on the territory of one (or more) of the EU Member States, Norway or Iceland are eligible for funding under this call.

In the specific case of actions delivering greenhouse gas emission avoidance through the use of the product, e.g. production facilities for renewable energy or energy storage components, both the production and the use of products must take place in one of the EU Member States, Norway or Iceland.

Projects located on the territory of the United Kingdom (UK) — please be aware that eligibility criteria must be complied with for the entire duration of the grant. If there is no agreement between the EU and the United Kingdom ensuring in particular that, for the purposes of this call, projects located in the UK are considered as projects located in a Member State of the EU, such projects will cease to be eligible to receive EU funding.

5.4 Duration

Applicants should consider that the following conditions must be fulfilled in relation to the duration of their proposed actions:

a) the project must reach financial close within four years (48 months) after grant signature

b) the default monitoring and reporting period once the project has entered into operation is 10 years; exceptionally shorter periods (no shorter than 3 years) can be accepted by INEA based on a justification provided by the applicant.

See section 8.21 in the part on project maturity for further details on how to present the implementation plan of the project.

Projects applying for the Innovation Fund support must not have started before the submission of the application for the first stage. Applicants which decide to start construction after submitting a first-stage application, act on their own risk should the proposal ultimately not be awarded a grant.

6. Other conditions

6.1 Financial capacity

Applicants must have stable and sufficient resources to maintain their activity throughout the period for which the grant is awarded.

In order to demonstrate that this criterion is fulfilled, applicants whose proposals are successful as an outcome of the second stage evaluation will be required to submit the following documents:

1. Profit and loss account for the last two financial years for which the accounts were closed — dated and signed by the management of the entity, clearly indicating the amounts of turnover, operating income, staff, depreciation, amortization costs, net operating result and interest expenses. If this information is not indicated in the profit and loss account or in the explanatory notes it must be provided in the form of a self-declaration, signed by the management
2. Balance sheet for the last two financial years for which the accounts were closed — dated and signed by the management, clearly indicating the nature and the maturity (i.e. below or above one year) of receivables, provisions and debts. If this information is not indicated in the balance sheet or in the explanatory notes it must be provided in the form of a self-declaration, signed by the management
3. Explanatory notes and/or annexes that form part of the above financial statements (if available)
4. External audit report certifying the accounts for up to the last two available financial years. For entities without closed accounts, a self-declaration, signed by the legal representative of the entity, which certifies the validity of the accounts.

For newly created entities, the business plan might replace the above documents.

Public bodies established in the EU and international organisations[17] and affiliated entities are exempted.

More detailed information on the documents to submit can be found in the Rules on legal entity validation, LEAR[18], appointment and financial capacity assessment.

[17] Within the meaning of Article 156 of the Financial Regulation.
[18] Legal Entity Appointed Representative

6.2 Operational capacity

Applicants must have the know-how and qualifications needed to successfully implement the project, including sufficient experience with projects of a comparable size and with implementation of projects in the Member State where the project will be located.

To assess this capacity, applicants (with the exception of public bodies established in the EU and international organisations[19]) must provide the following documents at the second stage of application:

1. description of the profiles of the people primarily responsible for managing and implementing the project (accompanied by a *curriculum vitae*);
2. explanation of activities in company's operations relevant to delivery of the project for at least the last year; and
3. a list of relevant previous projects and/or activities carried out in comparable projects in related fields.

6.3 Exclusion

Applicants that are subject to an EU administrative sanction (i.e. exclusion or financial penalty decision)[20] or are in one of the following situations[21] are excluded from receiving EU grants and therefore cannot apply for funding under this call:

- bankruptcy, winding up, affairs administered by the courts, arrangement with creditors, suspended business activities or other similar procedures (including procedures for persons with unlimited liability for the applicant's debts)
- in breach of social security or tax obligations (including if done by persons with unlimited liability for the applicant's debts)
- guilty of grave professional misconduct[22] (including if done by persons having powers of representation, decision-making or control, beneficial owners or natural persons who are essential for the award/implementation of the grant)
- committed fraud, corruption, links to a criminal organisation, money laundering, terrorism-related crimes (including terrorism financing), child labour or human trafficking (including if done by persons having powers of representation, decision-making or control, beneficial owners or natural persons who are essential for the award/implementation of the grant)
- shown significant deficiencies in complying with main obligations under an EU procurement contract, grant agreement or grant decision (including if done by persons having powers of representation, decision making or control, beneficial owners or natural persons who are essential for the award/implementation of the grant)

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19 See See Article 136(1) of the Financial Regulation
20 See Article 136(1) of the Financial Regulation
21 See Articles 136(1) and 141(1) of the Financial Regulation.
22 Professional misconduct includes: violation of ethical standards of the profession, wrongful conduct with impact on professional credibility, false declarations/misrepresentation of information, participation in a cartel or other agreement distorting competition, violation of IPR, attempting to influence decision-making processes or obtain confidential information from public authorities to gain advantage.

- guilty of irregularities within the meaning of Article 1(2) of Council Regulation 2988/95[23] (including if done by persons having powers of representation, decision making or control, beneficial owners or natural persons who are essential for the award/implementation of the grant)
- created under a different jurisdiction with the intent to circumvent fiscal, social or other legal obligations in the country of origin or created another entity with this purpose (including if done by persons having powers of representation, decision making or control, beneficial owners or natural persons who are essential for the award/implementation of the grant).

Applicants will also be excluded if it turns out during the grant award procedure that they[24]:

- misrepresented information required as a condition for participating in the grant award procedure or failed to supply that information
- were previously involved in the preparation of grant award documents where this entails a breach of the principle of equality of treatment, including distortion of competition that cannot be remedied otherwise.

7. Evaluation and award procedure

Projects applying for the Innovation Fund support will undergo a two-stage application process. During the first stage, the projects will be evaluated based on the following three award criteria:

- Greenhouse gas (GHG) emission avoidance potential
- Degree of innovation
- Project maturity

During the second stage, in addition to the above-mentioned three award criteria, projects will also be evaluated based on:

- Scalability
- Cost efficiency

The award criteria are explained in more detail in *section 8*.

In view of the cross-sectoral differences with regard to GHG emission avoidance potential, applicants will specify a sector when submitting the application (hereinafter 'specified sector'). In case project activities take place across several sectors, the applicant has to specify a single sector. Further guidance for how to specify the most appropriate sector is given in *Annex C Methodology for GHG emission avoidance calculation*.

7.1 First stage

INEA checks that proposals are admissible and eligible (*see sections 4 and 5*). Proposals that fulfil the admissibility and eligibility conditions are evaluated by external evaluators against the award criteria laid down in *section* 0.

The outcome of the evaluation will lead either to the rejection of the proposal or to the invitation to the second stage. However, rejected proposals that have the potential to improve their maturity through the provision of project development assistance may

[23] Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests, OJ L 312, 23.12.1995, p. 1–4

[24] See Article 141(1) of the Financial Regulation.

be invited for the project development assistance (PDA) support following the procedure in *section 9*.

Proposals are ranked according to the sum of the points received for the three award criteria (GHG emissions avoidance, degree of innovation, and project maturity) provided that the minimum requirements are fulfilled for each criterion. If a proposal does not fulfil the minimum requirements in one or more criteria, it will be rejected.

If proposals have an equal number of points, the following rules are applied in the presented priority order:

1. If a proposal receives more points for the criterion degree of innovation, it will be ranked higher compared to a proposal with the same total number of points.
2. If the proposals are from different specified sectors as defined in Appendix C1 of Annex C GHG emissions avoidance methodology, then the proposal with the higher ranking in its specified sector will be ranked higher. For the purposes of this rule, a ranking list is established for each specified sector based on the total number of points under all award criteria.
3. 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 point.

The best-ranked 70 projects that meet the minimum requirements are invited to the second stage. If the funding requested by the 70 projects is less than 2.5 times the available budget for this call, the next best ranked projects meeting the minimum requirements will also be invited to the second stage (until a total of 2.5 times the available budget for grants is reached).

7.2 Second stage

INEA checks that proposals are admissible and eligible (*see sections 4 and 5*). Only successful applications as a result of the first stage evaluation are admissible to the second stage.

Applications that are admissible and eligible are evaluated by external evaluators based on all award criteria laid down in *section 8.2.*

There is no minimum threshold per criterion. However, if a proposal does not reach the minimum threshold of 7.5 points overall, it will be rejected.

Proposals are ranked according to the sum of points received for all five award criteria. The same rules as under the first stage apply in case of equal points (see *section 7.1.*).

Reserve list

Proposals that pass the thresholds but are not ranked sufficiently high to receive funding may be put on the reserve list if a reserve list is established. The reserve list may be used to select proposals if a possibility arises to fund further proposals, for example if applicants invited to grant preparation fail to sign a grant agreement.

8. Award criteria

8.1 Award criteria for the first stage

GHG emission avoidance potential

Applicants must carry out two calculations according to the detailed methodologies for calculation of GHG emission avoidance provided in *Annex C Methodology for GHG emission avoidance calculation*:

- The **absolute GHG emission avoidance** is calculated as the difference between the expected GHG emissions of the project and the GHG emissions in the reference scenario during 10 years after entry into operation. As a minimum requirement, the process emissions of the project per unit of product must be below the EU ETS benchmark(s)[25] applicable at the time of the deadline for submission of the applications in the first and second stage.
- The **relative GHG emission avoidance** equals the absolute GHG emission avoidance of the project divided by the GHG emissions in the reference scenario. If the project activities take place across several sectors, the divisor will only include the reference GHG emissions that are related to the activities within the specified sector.

With regard to projects from the **bio-economy**, the used biomass must at least meet the sustainability requirements of the Renewable Energy Directive[26] and originate from feedstocks with a low risk of causing indirect land-use change.

The score for the sub-criterion absolute GHG emission avoidance is calculated by comparing the absolute GHG emission avoidance for the project to the "best in sector", i.e. the application with the highest value of absolute GHG emission avoidance. The best in each sector gets 5 points, the worst gets 0 points. To derive the score for the relative emission avoidance, the result in percent for the relative emission avoidance is normalised across all submitted proposals to a score between 5 and 0. 100% emission avoidance results in 5 points.

The project can achieve the following points for each sub-criterion:

Sub-criteria	**Points** (half points are possible)
Absolute GHG emissions avoidance	5-0
Relative GHG emissions avoidance	5-0

- In case of manifest errors in the calculation of GHG emission avoidance, the score for this criterion is set at 0 and the proposal will be rejected.
- In case of doubts on the robustness of the calculations, including the reliability and margin of uncertainty of key parameters, points may be reduced.
- If errors are of a clerical nature and can be corrected, the evaluators may recalculate and adjust the points according to the result of the corrected

[25] EU ETS product benchmarks are based on the average greenhouse gas emissions of the best performing 10% of the installations producing that product in the EU and EEA-EFTA states. Please check https://ec.europa.eu/clima/policies/ets/allowances/industrial_en for further details.

[26] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (Text with EEA relevance.), *OJ L 328, 21.12.2018, p. 82–209*

calculation. The recalculated GHG emission avoidance will be taken into account for the preparation of the grant agreement.

For the purpose of contributing to the overall ranking, the overall scoring out of 10 points for this criterion is normalised to 5 points in order to contribute with the same weight as the other award criteria to an overall scoring for the proposal.

Degree of innovation

The evaluation assesses the degree to which the proposed actions (technologies and products) are innovative compared to the state-of-the-art and go beyond incremental innovation (see Annex D.1 for examples).

The evaluation also takes into account the quality, soundness and reliability of the information provided in the proposal.

The project can achieve a maximum of 5 points and must achieve 3 points as a minimum threshold to be invited to the second stage. Half points are possible.

Project maturity

The evaluation is performed on the basis of information and evidence provided in the application form and documents listed in Application Form Part B: mandatory documents, including feasibility study, business plan and project implementation plan; and due diligence reports produced by an independent third parties, if available. The evaluation assesses the proposals in accordance with the following three sub-criteria and also takes into account the quality, soundness and reliability of the information provided in the proposal:

(1) **Technical maturity** to assess the degree of technology readiness and technical feasibility of achieving the GHG emissions avoidance within the project's operational environment, including the degree of understanding of technology and related technical risks and proposed risk mitigation measures.

(2) **Financial maturity** to assess the financial and business viability of the project, including:

- Credibility of the project business model, expected project profitability, including revenues, costs and expected cash flows
- Soundness of the financing plan along the project milestones, financial structure and expected sources of financing including private sector contributions, Member State support or other types of public support, where relevant
- Solidity and level of the commitment of project funders and investors
- Level of understanding of the project expected financial risks and quality of proposed mitigation measures.

(2) **Operational maturity** to assess the prospects for successful commercial deployment or demonstration of the project, including:

- Credibility and level of detail of the project implementation plan covering all project milestones (which must include at least financial close, entry into operation and annual reporting after the entry into operation) and related deliverables.

- Relevance and track record of the project management/team and soundness of the project organisation
- State of play and credibility of the proposed plan for obtaining required permits, intellectual property rights or licences and other regulatory procedures
- Soundness of the strategy for ensuring public acceptance
- Robustness and credibility of the strategy for securing the key supply and off-take contracts
- Level of understanding of the project's implementation risks and credibility of proposed mitigation measures.

The project can achieve the following points for each sub-criterion and must achieve the following minimum points for each sub-criterion:

Sub-criteria	**Points** (half points are possible)	**Required minimum points to be invited for second stage**
Technical maturity	5-0	3
Financial maturity	5-0	3
Operational maturity	5-0	3

For the purpose of contributing to the overall ranking, the overall scoring out of 15 points for this criterion is normalised to 5 points in order to contribute with the same weight as the other award criteria to an overall scoring for the proposal.

8.2 Award criteria for the second stage

GHG emission avoidance potential

The same assessment criteria are applied as in the first stage. However, as set out in *Annex C*, applicants must apply a more detailed methodology for the calculation of the GHG emission avoidance.

Furthermore, applicants must also submit third party verification of the GHG emission calculation.

The project can achieve the following points for each sub-criterion:

Sub-criteria	**Points** (half points are possible)
Absolute GHG emission avoidance	5-0
Relative GHG emission avoidance	5-0

For the purpose of contributing to the overall ranking, the overall scoring out of 10 points for this criterion is normalised to 5 points in order to contribute with the same weight as the other award criteria to an overall scoring for the proposal.

Degree of innovation

The evaluation determines the degree to which the project goes beyond incremental innovation on a scale from intermediate to breakthrough innovation (see Annex D.1 for examples).

In the course of the evaluation, the project is assessed with regard to the following indicators related to further EU objectives for a climate-neutral economy, if relevant, and may receive additional points or points may be reduced:

- **Energy efficiency** as a main objective of the EU and the first building block of the Long-term Strategy;
- **Circularity** as a further essential part of a wider transformation of industry towards climate neutrality and long-term competitiveness. See *Annex D* for further explanation of what could constitute an action contributing to the circular economy objectives.
- Contribution to deployment of **renewable electricity.** Projects that propose to use electricity from the grid must demonstrate whether they are using electricity of renewable origin and whether they are adding to the renewable deployment as defined in *Annex D*. Projects that propose to feed electricity into the grid must consider the relationship with the electricity market and how to match the demand of electricity from the grid.
- Potential to deliver net **carbon removals** as proven through the GHG emission avoidance calculation.

The evaluation also takes into account the quality, soundness and reliability of the information provided.

The project can achieve the following points:

Sub-criteria	**Points** (half points are possible)
Innovation in relation to the state of the art	5-0
Contribution to further EU policy objectives	5-0

For the purpose of contributing to the overall ranking, the overall scoring out of 10 points for this criterion is normalised to 5 points in order to contribute with the same weight as the other award criteria to an overall scoring for the proposal.

Project maturity

The evaluation is based on the same sub-criteria as in the first stage. Applicants must provide more detailed information required in Application Form part B for the second stage which will be different from the first stage and relevant documents which will be listed in the application form for second stage.

The project can achieve the following points for each sub-criterion:

Sub-criteria	**Points** (half points are possible)
Technical maturity	5-0
Financial maturity	5-0
Operational maturity	5-0

For the purpose of contributing to the overall ranking, the overall scoring out of 15 points for this criterion is normalised to 5 points in order to contribute with the same weight as the other award criteria to an overall scoring for the proposal.

Scalability

The evaluation assesses the proposals in accordance with the following three sub-criteria and also takes into account the quality, soundness and reliability of the information provided in the application:

(1) Scalability at the level of the project and the regional economy, including:

- Plans for further expansion at project site and the possible project's technology transfer to other sites,
- Cooperation with other actors of the regional economy,
- Quality and extent of the knowledge-sharing plan. The knowledge-sharing plan must contain knowledge sharing, communication and dissemination activities initiated by the project at the various project stages. See also *section 10.7.2.* on knowledge-sharing obligations.

(2) Scalability at the level of the sector, including:

- Extent to which the technology of the project can be applied within the sector and the expected emissions avoidance,
- Expected cost reductions and resource constraints.

(3) Economy-wide scalability, including:

- Extent to which the technology of the project can be applied across the economy
- Potential to create new value chains or reinforce existing ones.

Impacts on competitiveness, economic growth and jobs are assessed, in particular with regard to the contribution to the development of strategic autonomy in industrial supply chains as defined in the New Industrial Strategy for Europe and the Communication on a recovery plan for Europe.

The project can achieve the following points for each sub-criterion:

Sub-criteria	**Points** (half points are possible)
Scalability at the level of the project and the regional economy	5-0
Scalability at the level of the sector	5-0

Economy-wide scalability	5-0

For the purpose of contributing to the overall ranking, the overall scoring out of 15 points for this criterion is normalised to 5 points in order to contribute with the same weight as the other award criteria to an overall scoring for the proposal.

Cost efficiency

The cost efficiency ratio is expressed as follows:

$$Cost\ efficiency\ ratio = \frac{Relevant\ costs\ minus\ contribution\ by\ applicant}{Absolute\ GHG\ emission\ avoidance}$$

Whereby:

- The applicant must calculate the relevant costs according to the methodology provided in Annex B.
- The contribution by the applicant is any contribution from private sources or public support (as defined in *Annex B*). In line with the fourth sentence of the third subparagraph of Article 10a(8) of the EU ETS Directive, the maximum amount of the grant cannot exceed 60% of the relevant costs. The contribution by the applicant must therefore be at least 40% of the relevant costs. The applicants must use the amount of absolute GHG emission avoidance as calculated for the first criterion in *section 8* to calculate the cost efficiency ratio.
- Applicants must submit a statement by an independent auditor confirming the correctness of the provided relevant costs calculation.

The points are calculated as follows:

- If the cost efficiency ratio is higher than 600 EUR / t CO2-eq, the project is awarded zero points.
- If the cost efficiency ratio is lower or equal than 600 EUR / t CO2-eq, the points are calculated based on the following formula (rounded to half points):

  5 – (5 x (cost efficiency ratio / 600)
- In the case of manifest errors, the score for this criterion is set at 0 and the proposal will be rejected.
- In the case of weakness in the robustness of the calculation, including the reliability and margin of uncertainty of key parameters, points may be reduced.

If errors are of a clerical nature and can be corrected, the evaluators may recalculate and adjust the points according to the result of the corrected calculation for the purpose of the evaluation and the selection of the proposal. This amount will be taken into account for the preparation of the grant agreement.

9. Project development assistance support (PDA)

Out of the proposals that are not invited to submit a full application, those proposals are considered for project development assistance that:

(a) meet the minimum requirements under greenhouse gas emissions avoidance and degree of innovation criteria; and

(b) are awarded at least 50% of total points under the project maturity criterion; and

(c) are considered by evaluators as having the potential for improving their maturity through specific project development assistance.

INEA will communicate a list of up to 40 proposals eligible for the project development assistance to the European Investment Bank (the EIB). The EIB will provide a short-list of 20 proposals that could be awarded the project development assistance. A consultation with Member States will take place on the award of the project development assistance before the Commission takes the final decision. The awarded proposals will be invited to sign a project development support agreement with the EIB.

10. Legal & financial set-up of the grants

The grants will be awarded subject to the availability of the Innovation Fund revenues.

Applicants awarded funding will be invited to sign a grant agreement. The preparation of the grant agreement between INEA and the successful applicants will be based on the model grant agreement available on Portal Reference Documents. The provisions of the model grant agreement are not negotiable and will be signed in English.

Grant preparation will involve a dialogue between INEA and the applicant in order to fine-tune technical and financial aspects of the project. It may include adjustments or corrections to the proposal to address recommendations of the evaluation committee, such as changes to the grant amount and its scheduling over the project milestones, or other changes. The failure to comply with the requirements by the applicant may lead to the non-signature of the grant agreement.

The submission of the application implies the acceptance of the terms and conditions of the model grant agreement and this call for proposals. Applicants are invited to carefully read the model grant agreement, including the annexes, before submitting an application.

Successful grant agreement preparation leads to a signature of the grant agreement. The grant will not be considered awarded until the grant agreement is signed by both parties.

The following points of *section 10* summarize the main obligations of the beneficiaries that will be further specified in the grant agreement.

10.1 Starting date & project duration

The starting date of the project as well as its duration will be established in the grant agreement. They are based on the project planning information submitted by the applicants in the second stage.

10.2 Maximum grant amount

The maximum grant amount is fixed for each project on the basis of the relevant costs calculation done according to the methodology described in Annex o and covers up to 60% of the relevant costs of projects.

The grant will be paid in lump sums. Payments will not depend on the costs actually incurred but on the proper implementation of the action, achievement of the results and completion of the work packages in accordance with Annex 1 to the grant agreement during the project duration.

Applicants will indicate the requested maximum grant amount and the estimated lump sum contributions broken down by participant and work package as part of the application. The applicants must ensure that the portion of the grant amount requested to be paid upon the financial close or upon reaching a specific milestone preceding financial close does not exceed 40% of the total grant amount requested. The lump sum breakdown will become Annex 2 to the grant agreement.

During the grant agreement preparation INEA checks*, inter alia,* whether the project receives additional Union funding, and may adjust the grant accordingly.

Applicants must describe, for each work package, the activities that are covered by the grant share and the milestones concerned. The applicants must ensure that the budget for each work package is proportional to the activities covered by the work package. The annual payment schedule for the period after the entry into operation must be linked to the expected emission avoidance.

At the entry into operation, beneficiaries will be required to submit a statement by an independent auditor confirming the correctness of the relevant costs calculation. If the carbon or electricity prices changed significantly and decrease the relevant costs below the amount of the grant, the beneficiaries must request an amendment to adapt the grant amount.

10.3 Reporting & payment arrangements

The reporting and payment arrangements and relevant time-limits will be fixed in the grant agreement.

The lump sums will be paid by INEA if the corresponding work packages have been properly implemented in accordance with Annex 1 to the grant agreement and provided that all other obligations under the grant agreement and the text of the call have been fulfilled.

The reporting will consist of continuous and periodic reporting.

Continuous reporting

The beneficiaries will be required to continuously report on the progress of the project (e.g. deliverables, outputs/outcomes, critical risks, indicators, etc.), in the Portal Continuous Reporting tool and in accordance with the timing and conditions set out in the grant.

The beneficiaries will be required to submit progress reports on a bi-annual basis before financial close and on an annual basis after financial close. These progress reports will cover at least the following areas:

- Progress of the project in terms of delivery of work packages, activities and project management milestones (compared to the project implementation plan and timetable)
- Challenges encountered in relation to project technical, financial and operational aspects and how they are addressed
- Annual knowledge-sharing report, including communication and dissemination activities.

Periodic reports

The beneficiaries will be required to provide periodic reports to request payments, in accordance with the schedule and modalities set out in the grant agreement. After the entry into operation, the periodic reports will be annual.

The periodic reports will consist of technical and financial parts. The technical part includes an overview of the implementation of the action during the reporting period. The financial part includes the financial statement (consolidated statement for the consortium) containing the lump sum contributions for the work packages that were completed during the reporting period. The beneficiaries are required to prepare the reports using the template available in the Portal Periodic Reporting tool.

Payments

Payments will be disbursed upon reaching the milestones established in the grant agreement. The payment of the lump sum shares will be subject to the proper implementation of the action or the achievement of the results, and the completion of the work packages in accordance with Annex 1 to the grant agreement during the reporting period.

Payments prior to entry into operation

Up to 40% of the total grant amount awarded may be disbursed upon financial close or upon reaching a specific milestone preceding financial close, if such a milestone has been fixed in the grant agreement.

The remaining amount of the grant will be disbursed after the financial close. It may be partially disbursed prior to the entry into operation upon reaching the milestones fixed in the grant agreement.

Payments during operation

The payments after the financial close depend on the avoidance of the greenhouse gas emissions. The payments may therefore be made in annual instalments based on verified emission avoidance.

The maximum grant amount will only be paid out, if over the entire project duration, the project reaches at least 75% of the total amount of greenhouse gas emissions planned to be avoided. The beneficiary must submit a verified report on the GHG emission avoidance before the request for the final payment. Whenever the total or part of emission avoidance takes place outside the project, the beneficiary must present the contracts signed with the suppliers or users, on which the emission avoidance depends, along with a verified report on the performance of the installation or components of the suppliers or users.

In addition, beneficiaries will have to prove that all other claims made during the application, in particular with regards to degree of innovation and scalability, are fulfilled. Otherwise, this may be considered as improper implementation and the grant may be reduced or recovered, see next section.

10.4 Grant reductions and recovery

The grounds for grant reduction and recovery as well as the procedures will be specified in the grant agreement.

In particular, the amount of the grant disbursed after the financial close will be proportionally reduced or recovered where the total amount of greenhouse gas emissions avoided during the entire reporting period is lower than 75 % of the total amount of greenhouse gas emissions planned to be avoided. The amount will be fully recovered where the project fails to enter into operation by the pre-determined time or the beneficiary fails to demonstrate any real avoidance of greenhouse gas emissions.

10.4 Liability regime for recoveries

The liability regime for recoveries will be established in the grant agreement.

10.5 Deliverables

The applicants are requested to define the deliverables in their application. Deliverables must include the standard deliverables listed in Article 21 of the model grant agreement and project-specific deliverables.

10.6 Special provisions

Visibility of EU funding

The beneficiaries are required to include an explicit reference to the Union support received. The beneficiaries must ensure the provision of coherent, effective and targeted information, including visual content, on the Union support received to multiple audiences, including the media and the public.

Knowledge sharing, communication and dissemination

The purpose of the knowledge sharing is to de-risk the innovative technologies or solutions with regard to scaling up to a commercial size, to accelerate their deployment, to increase the undertaking of and confidence in these technologies or solutions by the investment community and wider public, as well as to maintain a competitive market for their post-demonstration deployment.

Projects are required to actively share information with the public and other market participants to ensure transparency and knowledge dissemination. Beneficiaries must present the project on their organisation websites and social media accounts.

The knowledge to be shared, as well as communication and dissemination activities must cover the whole project cycle: award; financial close; entry into operation; and during operation. The areas of relevant knowledge to be shared cover project management, financial engineering, permitting, procurement, construction, commissioning, performance, cost level and cost per unit performance, stakeholder engagement, environmental impacts, health and safety, as well as needs for further research and development.

More in-depth knowledge will be shared with all Innovation Fund projects of the same sector or category and with any other project (from the specific sector or category) that has agreed to share information on the same terms as the Innovation Fund projects. Fair competition will be safeguarded during knowledge-sharing activities.

More general knowledge on the innovative technologies demonstrated under the Innovation Fund will also be shared with a wider community - Member States, researchers, NGOs, international organisations and other projects.

Subject to the agreement of applicants, general information on the background and rationale of the project, its objectives, impacts and contribution to EU policy objectives can be communicated in a summarised and anonymised way before the signature of the grant agreement.

Confidential (sensitive) information shared by the beneficiaries will be fully preserved. Only anonymised and aggregated information will be shared with the public. Moreover, no information will be disclosed which could lead to the reverse-engineering of the beneficiaries' technology or prejudge their ability to obtain patent or other registered intellectual property right protection.

Beneficiaries will report on the knowledge gained on an annual basis as of signature of the grant agreement. In addition, beneficiaries are expected to participate in and contribute to Innovation Fund knowledge-sharing activities.

Each year, information about EU grants awarded is published on the Europa website. Furthermore, the grant agreement allows EU services to use project material, documents, information and results to communicate widely on the project (including beneficiary names, the purpose for which the grant was awarded, the maximum amount awarded, etc.).

The publication can exceptionally be waived (on reasoned and duly substantiated request), if there is a risk that the disclosure could jeopardise the rights and freedoms under the EU Charter of Fundamental Rights or harm applicant's commercial interests.

11. Instruction to applicants

Detailed instructions on how to submit the application are provided in the Portal Online Manual and IT How To. By submitting an application, all applicants accept:

- the terms and conditions of this call (as described in this call text and the documents it refers to); and
- to use the Portal Electronic Exchange System in accordance with the Portal Terms and Conditions.

Once the application has been submitted, applicants will receive a confirmation e-mail (with date and time of your application). Should it not be the case, this means that the application has not been submitted.

11.1 Preparing the submission of an application

Before submitting their application, applicants must:

- Read carefully the present call text and its annexes;
- Create an EU Login user account; and
- Register their organisation in the Participant Register.

When registration is finalised, applicants will receive a 9-digit participant identification code (PIC). They will need the PIC numbers to complete Part A of the application. For more information on the registration and validation of an entity applicants can refer to the Rules on Legal Entity Validation.

Applicants do not need to complete the registration process in a single session. They can enter some information, save it and continue later.

It is strongly advised to submit proposals sufficiently in advance of the deadline, to avoid any last minute problems. Any technical problems due to last minute submissions will be at applicants' risk.

11.2 Changes to the call

Should there be any change at any time to the call, information will be published on the Innovation Fund page of the Funding and Tenders Portal. All interested parties are advised to regularly check the Portal website.

INEA reserves the right to change or cancel the call. Please note that changes and cancellations are without entitlement to compensation.

11.3 Costs and expenses of application

All costs and expenses incurred by the applicant in preparing their application will be borne by the applicant. There will be no recourse for the recovering of these costs, regardless of the outcome of the evaluation. All applications relating to this call for proposals are made under the sole responsibility of the applicants and at their own risk.

11.4 Notification of changes to application

Changes after submission

Applicants are required, without delay, to inform INEA of any change that may impact the eligibility of the project or their operational and financial capacity. All changes must be notified to the following e-mail address: INEA-Innovationfund-calls@ec.europa.eu.

The applicant may be required to provide further clarification.

Changes between first and second stage

Applicants are not allowed to substantially change the substance or nature of their project (e.g. with regard to the technological solution to be deployed) between first and second stage of application in a way that may call into question the outcome of the first stage evaluation. Failure to comply with this requirement will result in the proposal being rejected without further evaluation. Changes to the project implementation plan are allowed due to the advancement of project preparation. Changes to the business plan are allowed due to the evolution of the market or changes to the regulatory framework. The submission of a more advanced or detailed feasibility study or due diligence report is equally allowed. The change to the amount of the EU contribution may, however, not exceed 50%.

At the second stage, applicants are requested to state and justify changes to the substance or nature of their project compared to first stage.

Changes before grant signature

INEA must be informed of any other change to the application, consortium composition, regulatory framework or market conditions before starting grant preparation. INEA will decide how to handle such changes. The grant may be signed only if such changes do not call into question the outcome of the evaluation. The Innovation Fund contribution may be adapted or cancelled if necessary.

11.4 Language of application

In order to ensure a swift and expedient evaluation, applicants are strongly advised to submit their applications and supporting documents in English.

The grant agreement, project management, formal reporting, key deliverables and all communication with INEA will be in English.

11.6 Request of information after submission

Where an applicant wishes to seek further information or clarification in relation to a submitted application, they are requested to submit a written request to INEA electronically.

For questions that may arise prior to the submission of an application, see *section 1.2*.

11.7 Confidentiality of the application

Applications will be treated as confidential (sensitive). Applications recommended for PDA will be shared with the EIB unless applicants declare they do not wish to be considered for PDA in the relevant section of Application Form part B.

11.8 Personal data protection

Personal data will be processed pursuant to EU Regulation 2018/1725[27]. Detailed information on the object and scope of processing is available in the Portal Privacy Statement.

[27] Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC

LIST OF ANNEXES

Annex A Glossary – List of abbreviations

Annex B Methodology for relevant costs calculation

Annex C Methodology for GHG emissions avoidance calculations

Annex D Degree of Innovation

Annex A Glossary

Terms related to the general process of application, evaluation and grant management are explained in the on-line Glossary of the Funding and Tenders Portal. Terms specific to this call are included in the present Glossary.

Term	Meaning
Action	Beneficiary activities (proposed to be) funded by the Innovation Fund. Used interchangeably with "project".
Applicant	Person or organisation (or group of them) that requests EU funding. Also referred to as project proponent in the Innovation Fund Regulation.
Application	Documentation that sets out the detail of the proposed project consisting of the completed Application Forms and all supporting documents (submitted by the applicant in the Funding and Tenders Portal).
Deliverable	A specific output of the project, meaningful in terms of the project's overall objectives in the form of a report, document, technical diagram, piece of software, etc.
Entry into operation	The moment in the project development cycle where all elements and systems required for operation of the project have been tested and activities resulting in effective avoidance of greenhouse gas emissions have commenced.
Financial close	The moment in the project development cycle where all the project and financing agreements have been signed and all the required conditions contained in them have been met.
First stage	The first stage of the two-stage application procedure referred to as an expression of interest phase in the Innovation Fund Regulation.
Funding	The funding awarded to successful projects in the context of the present call.
EU Funding & Tenders Portal	The electronic portal and exchange system managed by the European Commission and used by itself and other EU institutions, bodies, offices or agencies for the management of their funding programmes (grants, procurements, prizes, etc.).
Grant	A type of EU funding: direct financial contribution donated from the EU budget in order to finance activities that are in line with EU policies.
Lump-sum	A Union contribution which covers in global terms all or certain specific categories of eligible costs which are clearly identified in advance.
Member State (MS)	A Member State of the European Union
Milestones	Control points in the project that help to chart progress. They may correspond to the completion of a key deliverable or work package (financial reporting milestone), allowing the next phase of the work to begin. But may also be needed at interim stages, to enable corrective

	measures to be taken for any problems that have arisen (project management milestone).
Operating costs	Operating expenses borne by the project proponent. Further explained in the methodology for calculation of relevant cost in Annex B.
Participants	Entities participating in the project/action as applicants, beneficiaries, affiliated entities, associated partners, third parties giving in-kind contributions, sub-contractor recipients of financial support to third parties.
Permits	Any consents, permissions, licences, authorisations, or approvals necessary for a project to be planned, constructed and enter into operation under relevant applicable national or EU law.
Project	The activities covered by the application, also referred to as "action".
Proposal	Application for EU funding, submitted in response to the call.
Second stage	The second stage in the two-stage application procedure referred to as a full application stage in the Innovation Fund Regulation
Work package	A major sub-division of the project. Upon its completion the beneficiary may request payment of the respective lump sum contribution share. Equivalent to the term milestone of the Innovation Fund Regulation.

Annex D Degree of innovation

D.1 Examples for innovative actions

Innovation Fund aims to support technologies that are not yet commercially available but represent breakthrough solutions or are sufficiently mature to be ready for demonstration at pre-commercial scale.

Thus a project may consist of a first-of-a-kind commercialisation or large-scale commercial size demonstration of processes previously proven at pilot, smaller scale or large-scale demonstration plants. A second or more of a kind commercialisation can also be considered innovative in case that the relevant costs remain a significant share of total costs that prohibit commercialisation without further public support. Smaller demonstrations or pilot plants are also eligible for support, especially if this is the right scale at which technology needs to be proven before moving to a larger scale demonstration.

A proposed project activity or product may be considered as innovative compared to the state-of-the-art if:

- it differs from that normally offered by existing vendors/technology suppliers;
- it is not currently offered by multiple vendors or it is not offered as a standard product or service from a single vendor;
- its expected outcomes are innovative or distinctive compared to existing solutions;
- it is further advanced from previously conducted demonstrations.

The following list presents examples for activities or products that may be considered innovative compared to state-of-the-art:

- a new product/service that requires technical adjustments in production facilities/supply chain or a new production set up/plants;
- a product substitution i.e. a new product/service that eliminates the need for existing products;
- a new technology that can substitute an existing technology, or that allows the novel integrated use of existing technology;
- adjustments in production facilities/supply chain that make it possible to substitute (totally or to a large extent) fossil fuel energy with renewable energy;
- existing technical solution or use applied in one sector is applied and adapted for a new sector or a different use;
- system integration, i.e. a combination of existing technologies not integrated today.

In incremental innovation, the degree of innovation is very low as only minor changes are made to existing products, processes or business models (which result in e.g. reduction of costs or functional improvements in existing products, services or processes at low levels of uncertainty). Incremental innovation does not imply substantially new knowledge or technology. Since the Innovation Fund aims to support breakthrough innovation and projects bringing significant emission reductions, projects which are likely to deliver only incremental innovation will not be retained.

Projects that contribute to reaching the SET-Plan implementation targets identified under the 10 actions are likely to deliver more than incremental innovation.

Intermediate or strong degree of innovation is likely to be present in new or considerably changed technologies or processes for the production or delivery of existing or new products or services.

Very strong or breakthrough degree of innovation is likely to be present in completely new technologies or processes or completely new products or services, which substitute existing products. Such innovation is likely to lead to significant change that transforms entire markets or industries or creates new ones and is characterised by high uncertainty.

D.2 Energy efficiency and circular economy objectives

Actions that contribute to ***energy efficiency and circular economy objectives*** are likely to involve one or more of the following:

(i) *increased energy and resource efficiency and reduced impact on water use* including through adoption of circular business models within and between industrial facilities (incl. industrial symbiosis) and through using less water/reuse/recycling of wastewater; or

(ii) *increased durability, longer lifespan, functionality, modularity, upgradability, easy disassembly and/or repair*; or

(iii) *recovery of materials and energy from waste and waste water, including biomass waste and residues* e.g. as food, feed, nutrients, fertilisers, bio-based materials or chemical feedstock; or

(iv) *substitution of virgin materials with secondary raw materials and by-products, more sustainable sourcing of raw materials* or

(v) development and sustainable production of new *materials* (including bio-based materials) that are *reusable, recyclable or compostable*; or use of materials that are reusable and recyclable; or

(vi) *reuse, repair, refurbishing, repurposing and remanufacturing* of end-of-life or redundant products, movable assets and their components that would otherwise be discarded or immovable assets (buildings / infrastructure / facilities)

The evaluation will take into account whether the proposed action follows the best practice with regard to the applied technology or could have performed better with regard to one or more of the above approaches.

Any possible additional GHG emission savings that are not considered in the calculation of GHG emission avoidance because they are excluded from the boundary, such as emissions due to construction of the facility or logistics, may also be considered here.

The applicants must justify the above with quantitative indicators to the extent possible always with regard to the best available technology, for example:

- estimated primary energy avoidance of the proposed action in comparison to the reference scenario in percent;
- amount of energy that can be produced in case of (net) energy recovery,
- quantity of virgin raw material saved;
- increase of recycled content in new products compared to baseline;
- quantity of materials recovered;
- volume of water reused or recycled.

These indicators will be based on a life-cycle assessment (LCA) where this is available. The baseline and LCA methodology should be described. In general, projects should give information at unit level (e.g. for each product, service, process or installation) and what is expected to be achieved at the end of the project (e.g. products, services or processes in the market).

D.3 Innovative solutions for procurement of renewable electricity

The procurement of renewable electricity for the operation of the project will be an important element for the evaluation of the criterion "Degree of innovation". In particular, as several industry projects will use significant amounts of electricity, the applicants should consider how to ensure that electricity is fully of renewable origin and does not increase grid congestion (which could otherwise prevent additional renewable electricity reaching the project). With regard to transport fuels of non-biological origin (e.g. hydrogen, e-fuels), Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (REDII), Article 27(3), requests the Commission to adopt a delegated act by December 2021 on how to document that the used electricity is of renewable origin and leads to emissions reductions, while recital 90 provides direction for the conditions.

Without prejudging these upcoming REDII rules, the applicant should submit a planning for the procurement of fully renewable electricity (e.g. through a Renewable Power Purchase Agreement with a provider in the same regional market). At financial close or before the start of operations, the applicant has to submit the contracts and documentation.

Examples for successful solutions for the procurement of additional renewable electricity could include among others:

- Electricity supplied by a direct connection to a dedicated renewable source, not connected to the grid; no additional electricity taken from grid;
- Wind electricity delivered by the grid, that would otherwise be curtailed;
- Hydroelectricity that has insufficient demand in the region and will probably be insufficiently connected to the rest of the grid even in 2030 to allow all of it to be used;
- Renewable electricity supplied under a Power Purchase Agreement (PPA) via the grid if the following conditions are satisfied:
    - The project contracts a utility to supply renewable electricity from a particular renewable energy installation or installations (e.g. wind farm).
    - The power (MW) used at any time under the PPA should not exceed the power that is being generated by the renewable energy installation(s)
    - The grid connection between producer and user of the electricity does not pass a zone of grid congestion for electricity passing in the same direction as attested by the grid operator. To avoid negative impacts on the functioning of the electricity market, applicants should at least prove that the procurement of renewable electricity does not lead to additional congestion.