



Innovation Fund (InnovFund)

Call for proposals

Innovation Fund Large-scale Projects

InnovFund-LSC-2021

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CALL FOR PROPOSALS

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1. Introduction

1.1 Overall context

This is a call for proposals¹ 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) 2019/856², as amended by Delegated Regulation (EU) 2021/1204³, implementing Article 10a(8) of [EU Directive 2003/87/EC](#)⁴ (the EU ETS Directive) and will be managed by the European Climate, Infrastructure and Environment Executive Agency (CINEA).

It covers the following **topic**:

- **INNOVFUND-LSC-2021 (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 described in *section 3.2*. 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 one stage 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 – Activities that can be funded – Expected impact

2.1 Objectives

The objectives of this call are to:

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 Commission Delegated Regulation (EU) 2021/1204 of 10 May 2021 amending Delegated Regulation (EU) 2019/856 as regards the application and selection procedures under the Innovation Fund, C/2021/3188, OJ L 261, 22.7.2021, p. 4–7

⁴ 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 CO₂ (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 CO₂ occurs within one of the activities listed in Annex I of the EU ETS Directive, or if the utilisation of CO₂ 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 by 2050 and to the target to reduce emissions by at least 55% by 2030 as defined in the **European Climate Law**⁵ within the overall framework of the **European Green Deal**⁶.

Moreover, Innovation Fund projects are expected to contribute to a number of interrelated EU policy objectives, in so far as they are relevant for the project in question:

- The **Integrated SET Plan**⁷, which defines the European research and innovation energy-related agenda covering the European energy system as a whole and going beyond the 'technology silos' concept.

⁵ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), OJ L 243, 9.7.2021, p. 1–17

⁶ 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)

⁷ <https://setis.ec.europa.eu/actions-towards-implementing-integrated-set-plan>

- The **New Industrial Strategy for Europe**⁸, the Communication on critical raw materials resilience⁹ its 2021 update¹⁰ and the **Communication on a recovery plan for Europe**¹¹, 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**¹², 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.¹³
- The **LULUCF Regulation**¹⁴ sets out a framework for climate-friendly agriculture and forestry to increase the removal of CO₂ from the atmosphere through action in these sectors.
- The **EU Biodiversity Strategy for 2030**¹⁵ aims to halt the loss of biodiversity and ecosystem services in the EU and worldwide.
- The **Bioeconomy Strategy**¹⁶ 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	26 October 2021

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, A new industrial strategy for Europe, (COM (2020) 102 final).

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability, (COM (2020) 474 final)

¹⁰ 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, Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery, (COM(2021) 350 final).

¹¹ 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).

¹² Communication from the Commission "New Circular Economy Action Plan For a cleaner and more competitive Europe", COM/2020/98 final

¹³ https://ec.europa.eu/energy/topics/markets-and-consumers/market-legislation/electricity-market-design_en

¹⁴ https://ec.europa.eu/clima/policies/forests/lulucf_en#tab-0-0

¹⁵ https://ec.europa.eu/environment/nature/biodiversity/strategy/index_en.htm#stra

¹⁶ Communication from the Commission "A sustainable Bioeconomy for Europe: Strengthening the connection between economy, society and the environment" COM/2018/673 final

Deadline for submission of applications	3 March 2022 at 17:00 (CET, Brussels)
Information on evaluation results and invitation for the PDA	3 September 2022
Award of the grants	3 December 2022

3.2 Budget

The available budget for this call is **EUR 1 500 000 000 for grants** and **EUR 2 000 000** 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
- Application Form (Part C) duly filled in online
- Mandatory supporting documents listed in Application Form (Part B)¹⁷; and optional supporting documents listed in Application Form (Part B) if available; these documents must 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

¹⁷ Please note that applications may be considered non-admissible if application form B or any of the mandatory supporting documents including the financial model summary sheet and relevant cost calculation sheets are filled only partially, do not contain all the required information, or do not use the template available on the call section of the Funding and Tenders Portal.

(especially eligibility, financial and operational capacity, exclusion, etc.). Before signing the grant agreement, 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 and their supporting documents. These are specified in Application Form (Part B). Any excess pages will be blanked for evaluators and therefore disregarded.

5. Eligibility

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 organisations¹⁸;
- 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)¹⁹ and entities covered by Commission Guidelines No [2013/C 205/05](#)²⁰. 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.

The projects concerning the activities listed in *section 2.2* are eligible for funding.

¹⁸ For the definition, see Article 156 EU Financial Regulation [2018/1046](#).

¹⁹ 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](#).

²⁰ 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 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, applicants will specify the sector their project belongs to. If project activities take place across several sectors, the applicant has to specify a single sector. The list of sectors is provided in *Annex E*. 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.

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 (or more) of the EU Member States, Norway or Iceland.

5.4 Duration

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 CINEA based on a justification provided by the applicant in the Application Form Part B.

Projects applying for the Innovation Fund support are not allowed to include costs incurred before the submission of the application for the calculation of relevant costs. Applicants which decide to start the activities included in the application after submitting an application and before the award decision, act on their own risk should the proposal 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 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 external financial audit, 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 and financial model over the lifetime of the project might replace the above documents.

Public bodies established in the EU and international organisations²¹ and affiliated entities are exempted.

More detailed information on the documents to submit can be found in [the Rules on legal entity validation, legal entity appointed representative, appointment and financial capacity assessment](#).

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 organisations²²) must provide the following documents:

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)²³ or are in one of the following situations²⁴ are excluded from receiving EU grants and therefore cannot apply for funding under this call:

²¹ Within the meaning of Article 156 of the Financial Regulation.

²² See See Article 136(1) of the Financial Regulation

²³ See Article 136(1) of the Financial Regulation

²⁴ See Articles 136(1) and 141(1) of the Financial Regulation.

- 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 misconduct²⁵ (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)
- guilty of irregularities within the meaning of Article 1(2) of Council Regulation [2988/95](#)²⁶ (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 they²⁷:

- 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

CINEA 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 8*.

²⁵ 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.

²⁶ 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

²⁷ See Article 141(1) of the Financial Regulation.

Projects applying for Innovation Fund support will be evaluated based on the following award criteria:

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

Proposals will be evaluated based on the following award criteria, according to the following cascade :

- (1) Degree of innovation. If a proposal scores less than the minimum threshold under this criterion, the evaluation is stopped (the remaining criteria are neither evaluated nor scored);
- (2) Project maturity and greenhouse gas emission avoidance potential. If a proposal scores less than 50% of total points under the project maturity criterion or if it does not meet the minimum requirements or is found to have a manifest error under the greenhouse gas emission avoidance potential criterion, the evaluation is stopped (the remaining criteria are neither evaluated nor scored);
- (3) Scalability and cost efficiency.

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

The outcome of the evaluation will lead either to the rejection of the proposal or to inclusion in the ranking list. Rejected proposals that have the potential to improve their maturity through the provision of project development assistance may 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 award criteria 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:

- (a) 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 points;
- (b) if the rule referred to in point (a) does not suffice and if the proposals are from different specified sectors as defined in Appendix C1 of the GHG emissions avoidance methodology, then the proposal with the higher ranking in its specified sector will be ranked higher. For the purpose of this rule, a ranking list is established for each specified sector based on the total number of points under all award criteria;
- (c) if the rule referred to in point (b) does not suffice, a proposal that has more points for the criterion degree of innovation will be ranked higher compared to a proposal with the same total number of points;
- (d) if the rule referred to in point (c) does not suffice, a proposal that received more points under the criterion scalability will be ranked higher compared to a proposal with the same total number of points.

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

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)²⁸ applicable at the time of the deadline for submission of the applications.
- The **relative GHG emission avoidance** equals the absolute GHG emission avoidance of the project divided by the GHG emissions in the reference scenario over the same 10 year period.

Please note that all **bio-economy** projects shall ensure that the used biomass meets the sustainability requirements of the Renewable Energy Directive.²⁹ The biomass feedstock must either be listed in Part A of Annex IX of the Directive or be certified as low indirect land use change (ILUC)-risk as defined by Commission Delegated Regulation (EU) 2019/807. For a commitment to be considered credible, the applicant should either provide evidence of an agreement in principle to source from one or more producers who are already certified low ILUC-risk, or provide evidence of an agreement in principle to source one or more producers who have a clear plan to apply for low ILUC-risk certification.

The evaluation will in addition consider:

- **Quality and credibility** of the calculations.
- Potential to deliver **net carbon removals**.
- **Other GHG savings** from emissions sources that go beyond the boundaries established in the Innovation Fund methodology for the given Sector, such as emissions due to transportation of raw materials or finished products, waste management, etc.

Projects with substantial potential for net carbon removals or substantial additional GHG savings can be awarded up to 1 additional point under sub-criterion "absolute GHG emission avoidance" without exceeding the maximum of 5 points for the sub-criterion.

Points may be reduced in case of **doubts about the credibility and robustness of the calculations**, including the reliability and margin of uncertainty of key parameters.

²⁸ Commission Implementing Regulation (EU) 2021/447 of 12 March 2021 determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2025 pursuant to Article 10a(2) of Directive 2003/87/EC of the European Parliament and of the Council, available at https://eur-lex.europa.eu/eli/reg_impl/2021/447.

²⁹ 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*

If errors are of a clerical nature and can be easily corrected, CINEA may ask the applicants to correct the error by a certain deadline. If the applicant does not make the correction by the deadline, the evaluators may consider this a manifest error. The recalculated GHG emission avoidance, based on the error correction suggested by CINEA and accepted by the applicant, will be taken into account for the preparation of the grant agreement.

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.

The criterion "GHG emission avoidance potential" will be scored differently depending on whether or not the proposals meet the minimum score thresholds for each of the award criteria "degree of innovation", "project maturity", "scalability" and the minimum requirements for the GHG emissions avoidance criterion.

(i) For those that meet the aforementioned scoring thresholds and minimum requirements and do not present any manifest errors:

- First the median result in the sector is calculated for all applications that meet the aforementioned scoring thresholds and minimum requirements. The application that has the median result gets 2.5 points. All other applications are given a score between 0 and 5 according to their absolute emission avoidance proportional to the median value of the absolute emissions avoidance. The score is rounded to the nearest half point.

-To derive the score for the relative emission avoidance, the result in percent for the relative emission avoidance is normalized across all submitted proposals that meet the minimum criteria stated in this section. The score given is between 5 and 0. 100% or above of relative emission avoidance results in 5 points. 0% of relative emission avoidance results in 0 points. The score is rounded to the nearest half point.

(ii) For proposals that do not meet the minimum thresholds under "project maturity" or "scalability" award criteria or the minimum requirements for the GHG emissions avoidance criterion, the same procedure as in point (i) will be used except that all such proposals without manifest errors will be used in the calculation of the score. The scores will be given in the range from 0 to 5. 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
Quality of the calculation, net carbon removals, other GHG savings	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. Half points are possible.

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, go beyond incremental innovation (see Annex D.1 for examples) and contribute to energy efficiency, circularity

and production or use of additional renewable electricity. Applicants should explain why the proposed scale is the most appropriate to reach the objectives of the action.

- (1) The degree to which the project goes beyond incremental innovation on a scale from intermediate to breakthrough innovation (see Annex D.1 for examples).
- (2) The contribution to the following further EU policy objectives for a climate-neutral economy:
 - **Energy efficiency** as a main objective of the EU and the first building block of the Long-term Strategy (see Annex D.2);
 - **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. (see Annex D.2)
 - If relevant, contribution to production or use of additional **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.3. 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.

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

The project can achieve the following points:

Sub-criteria	Points (half points are possible)	Required minimum points
Innovation in relation to the state of the art	5-0	3
Contribution to further EU policy objectives	5-0	n/a

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. Half points are possible.

Project maturity

The evaluation is performed on the basis of information and evidence provided in the Application Form Part B and C and mandatory documents, including feasibility study, business plan, project implementation plan and financial model summary sheet; and in the due diligence reports produced by an independent third party, if available. The evaluation assesses the maturity of the proposed projects 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 technical feasibility of achieving the GHG emissions avoidance within the project's operational environment;
 - the 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, business plan and financial model, expected project profitability;
 - Robustness and credibility of the strategy to secure key construction, supply and off-take contracts;
 - Soundness of the financing plan along the project milestones and of the expected sources of financing including private sector contributions, Member State support or other types of public support, where relevant, and ability to reach Financial Close at most 48 months after signing the Grant Agreement;
 - Solidity and level of the commitment of project developers, owners and debt funders and capital structure in line with the project risks and returns;
 - The understanding of the project’s expected business and financial risks, their probability and potential impact, and quality of proposed mitigation measures.
- (3) **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;
 - The 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
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. Half points are possible.

Scalability

The evaluation assesses whether the proposals are scalable at the level of the project and the regional economy, at the level of the sector and economy-wide and the quality and extent of the knowledge-sharing plan. It 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 the project site and the project’s possible technology transfer to other sites;
 - Cooperation with other relevant actors in the regional economy; and,
 - Impacts of the project on regional economic growth and jobs,
- (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; and,
 - Expected cost reductions and resource constraints.
- (3) Economy-wide scalability, including:
 - Extent to which the technology of the project can be applied across the EU economy or globally where relevant; and,
 - Potential to create new value chains or reinforce existing ones in Europe, 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, its 2021 update and the Communication on a Recovery plan for Europe.
- (4) 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 on knowledge-sharing obligations.

The project can achieve the following points:

	Points (half points are possible)	Required minimum points
Scalability	5-0	3

The project can achieve a maximum of 5 points and must achieve 3 points as a minimum threshold. Half points are possible.

Cost efficiency

The cost efficiency ratio is expressed as follows:

$$\text{Cost efficiency ratio} = \frac{\text{Requested grant}}{\text{Absolute GHG emission avoidance}}$$

Whereby:

- The applicant must calculate the relevant costs according to the methodology provided in Annex B.

- The maximum amount of the requested grant cannot exceed 60% of the relevant costs in line with the fourth sentence of the third subparagraph of Article 10a(8) of the EU ETS Directive.
- The applicant can request less than 60% of the relevant costs by offering an own contribution to the relevant costs. This contribution can come from private sector sources or own sources of the applicant (as defined in *Annex B*) but not from direct state-aid.
- 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 relevant costs calculation. The audit statement should confirm that the relevant cost calculation is consistent with the methodology provided in Annex B of the call text, that the data used in the applicant's financial model is consistent with the data used in the relevant cost calculation, and that the underlying assumptions used for the relevant cost calculation are valid and in line with potential quotes or indicative contract terms received from contractors. The auditor should be affiliated to a professional audit firm.

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 nearest half point):

$$5 - (5 \times (\text{cost efficiency ratio} / 600))$$

- 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 issues in the robustness of the calculation, including the reliability and margin of uncertainty of key parameters, points may be reduced.
- If the Application Form Part B for this criteria or the excel Relevant Cost Template have not been filled completely or in the case of a manifest error in the calculation of Relevant Cost, the score for this criterion is set at 0 and the proposal will be rejected.

If errors are of a clerical nature and can be easily corrected, CINEA may ask from the applicants to correct the error by a certain deadline. If the applicant does not make the correction by the deadline, the evaluators may consider this a manifest error. The recalculated cost efficiency, based on the error correction suggested by CINEA and accepted by the applicant, will be taken into account for the preparation of the grant agreement.

9. Project development assistance support (PDA)

Out of the proposals that do not score above the threshold for funding, those proposals are considered for project development assistance that:

- (a) meet the minimum requirements under greenhouse gas emissions avoidance, degree of innovation criteria and scalability; and
- (b) are awarded at least 50% of points under each of the project maturity sub-criteria; and

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

CINEA 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 up to 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 CINEA 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 CINEA 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.

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 B 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. Applicants must describe, for each work package, the activities that are covered by the lump sum contribution, related deliverables, milestones and means of verification of their achievement. Applicants must ensure that the estimated lump sum contribution for each work package is proportional to the activities covered by that work

package and provide justification for proposed lump-sum breakdown. This means that the proposed lump sums must be in line with the activities to be completed and their foreseen expenditure during the period covered by the work package. At least 10% of the grant amount must be allocated during the monitoring and reporting period after the entry into operation.

The applicants must ensure that the portion of the grant amount requested to be paid upon financial close work package or upon completing a work package preceding financial close does not exceed 40% of the total grant amount requested.

The annual payment schedule for the monitoring and reporting period after the entry into operation must be proportional to the activities covered in the relevant year.

The lump sum breakdown from the application form will become Annex 2 to the grant agreement. During the grant agreement preparation, the lump sum contribution may be reallocated between work packages, if, for instance, the evaluators considered that the lump sum contribution shares are not proportional to the activities and the foreseen expenditure covered by the corresponding work packages.

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

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 capital or operating costs and revenues, such as the carbon or energy 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. Increase of the grant amount however is not possible.

10.3 Reporting & payment arrangements

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

The lump sums will be paid by CINEA 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, milestones, outputs/outcomes, critical risks, indicators), in the Portal Continuous Reporting tool and in accordance with the timing and conditions set out in the grant agreement.

The beneficiaries will be required to submit, as deliverables, 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

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.

Knowledge-sharing reports

Knowledge-sharing reports will be due at financial close, at entry into operation and every two years after entry into operation. The first report after entry into operation will be due after the first year. If there are further milestones before entry into operation linked to payments, a knowledge-sharing report will be also due but not more often than once a year.

Payments

There is no pre-financing payment. The payment of the lump sum contributions will be subject to the proper implementation of the action and 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. The lump sum breakdown is set up in Annex 2 to the grant agreement (see section 10.2 of the call text).

Payments at financial close

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

Payments at or prior to entry into operation

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 completing the work packages fixed in the grant agreement.

Payments after entry into operation

The payments will be disbursed 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 as part of the last periodic report 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 if the total amount of greenhouse gas emissions avoided during the entire monitoring and reporting period after entry into operation is lower than 75 % of the total amount of greenhouse gas emissions planned to be avoided during that period. The amount paid after the financial close work package 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.

10.5 Liability regime for recoveries

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

10.6 Deliverables, milestones and means of verification

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. Applicants must also list in the application all documents to be provided as a means of verification of reaching the project milestones. Please see *Annex F* for further guidance.

10.7 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 uptake 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.

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 way before the signature of the grant agreement, unless the applicants express their justified disagreement.

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 prejudice their ability to obtain patent or other registered intellectual property right protection.

Beneficiaries will report on the knowledge gained on 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.

CINEA 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 CINEA 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: CINEA-Innovationfund-calls@ec.europa.eu.

The applicant may be required to provide further clarification.

Changes before grant signature

CINEA must be informed of any other change to the application, consortium composition, regulatory framework or market conditions before starting grant preparation. CINEA 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 reduced or cancelled if necessary.

11.5 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 CINEA 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 CINEA 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 2018/1725³⁰. Detailed information on the object and scope of processing is available in the [Portal Privacy Statement](#).

³⁰ 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 (separate document)
Annex C	Methodology for GHG emissions avoidance calculations (separate document)
Annex D	Degree of Innovation
Annex E	Sector classification
Annex F	Guidance on work packages, deliverables, milestones and means of their verification

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.
Funding	The funding awarded to successful projects in the context of the present call.
<u>EU Funding & Tenders Portal</u>	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 relevant costs which are clearly identified in advance.
Manifest errors	Discrepancies or mistakes that can significantly influence the relevant cost calculations or GHG emissions avoidance estimates and, consequently, the result of the evaluation and scoring. Such errors could derive from an incorrect application of the relevant cost calculation guidance or GHG emission guidance, omission or miscalculation.
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.
Relevant costs	The relevant costs are the additional costs borne by the project applicant as a result of the application of the innovative technology related to the reduction or avoidance of the greenhouse gas emissions. Please refer to Annex B for the methodology to calculate relevant costs.
Work package	A major sub-division of the project. Upon its completion the beneficiary may request payment of the respective lump sum contribution share.

Annex D Degree of innovation

D.1 Examples for innovative actions

The 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 under certain conditions. In particular, where 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.

State-of-the-art: commercial and technological

The state-of-the-art for a proposed production process, product or service comprises *both* the characteristics of the commercially available process, product or service that is most similar to the proposed one (**commercial state-of-the-art**) and the already proved characteristics of the proposed technological solution at the highest technological readiness level (**technological state-of-the-art**). Hence, 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 with respect to key characteristics, such as quality of service, carbon footprint, resource use, etc;
- it is not currently offered in the EU market by multiple vendors or it is not offered as a standard product or service from a single vendor;
- its expected outcomes go well beyond existing solutions;
- it is further advanced from previously conducted demonstrations for instance in terms of technology readiness level (TRL) or more generally system readiness level (SRL), covering also integration of various technologies;
- optimally, but not necessarily, it also outperforms competing innovations.

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

- a new product/service that requires more than incremental 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;

- more than incremental adjustments in production facilities/supply chain that enable intrinsically cleaner production, for instance making it possible to substitute (totally or to a large extent) fossil fuel energy with renewable energy;
- an existing technical solution or use applied in one sector is applied and more incrementally adapted for a new sector or a different use;
- system integration, i.e. an integration of existing technologies with lower system integration readiness today.

Degree of Innovation

The Innovation Fund aims to support projects that go beyond incremental innovation. A more than incremental innovation requires overcoming major technological and/or economic barriers, for instance by upscaling production processes or reducing production costs by an order of magnitude.

In incremental innovation, the degree of innovation is very low since only minor changes or improvements 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 projects with at least intermediate, possibly even higher degree of innovation, projects which are likely to deliver only incremental innovation will not be retained.

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. Furthermore, novel combinations of mature technologies, the scale-up of innovative technologies and second (or more) commercialisations may also fall under this category, if technological and/or economic barriers need to be overcome to ensure the realisation of the project. Examples could include, for instance, a lack of interoperability between mature technologies, a required increase of the commercial readiness level, an adaptation of existing solutions to fundamentally different markets. A strong degree of innovation is usually accompanied by an increase of the overall TRL or SRL of key technologies.

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. For such a level of innovation, the projects usually overcome substantial technological and/or economical barriers, for instance well-known technological limitations or unexpected cost decreases, and are accompanied by a strong increase of the TRL of key technologies or the SRL. A breakthrough innovation entails that the project is a first-of-a-kind commercialisation.

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, while respecting the waste hierarchy; 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 or synthetic materials based on CO₂) 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.

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

- estimated primary energy avoidance of the proposed action 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 (based on the Best Available Technology (BAT), in particular the BAT Reference (BREF) document if available) 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 during the monitoring and reporting period (e.g. products, services or processes in the market). The applicant should provide quantitative information and the corresponding calculations in the tab "Degree of Innovation" of GHG emission calculator sheet.

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 industry projects will potentially 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.

Any applicant with a project proposal including substantial electricity consumption should submit a planning for the procurement of fully renewable electricity compliant with the RED II rules (e.g. through a Renewable Power Purchase Agreement (PPA) with

a provider in the same regional market). At financial close or before the start of operations, the applicant has to submit the relevant contracts and documentation.

Examples for successful solutions for the procurement of additional renewable electricity could include among others, including their combinations:

- 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 PPA via the grid if the following conditions are satisfied:
 - o The project contracts a utility to supply renewable electricity from a particular renewable energy installation or installations (e.g. wind farm).
 - o 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)
 - o 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.

Annex E Sector classification

CATEGORY	SECTOR	PRODUCTS/SERVICES
Energy Intensive Industries (EII)	Refineries	fuels (incl. e-fuels, bio-fuels)
	Iron & steel	coke iron ore steel cast ferrous metal products other ferrous metal products or substitute products, please specify
	Non-ferrous metals	aluminium, precious metals, copper, other non-ferrous metal, cast non-ferrous metal products, other ferrous metal products or substitute products, please specify
	Cement & lime	cement lime, dolime, sintered dolime other cement or lime products or substitute products, please specify
	Glass, ceramics & construction material	flat glass container glass glass fibres other glass products tiles, plates, refractory products bricks houseware, sanitary ware other ceramic products mineral wool gypsum and gypsum products other construction materials or substitute products please specify
	Pulp & paper	chemical pulp mechanical pulp paper and paperboard sanitary and tissue paper other paper products or substitute products, please specify
	Chemicals	organic basic chemicals inorganic basic chemicals nitrogen compounds plastics in primary forms synthetic rubber other chemical products or substitute products, incl. bio-based products, please specify
	Hydrogen	hydrogen
	Other	electricity, incl. bio-electricity heat, incl. bio-heat other, please specify
CCS	choose an EII sector	Annex I product

CATEGORY	SECTOR	PRODUCTS/SERVICES
	EII / Other	CO ₂ Transport
	EII / Other	CO ₂ Storage
Renewable energy	Wind energy	electricity
	Solar energy	electricity heating cooling
	Hydro/Ocean energy	electricity
	Geothermal energy	electricity heating cooling
	Use of renewable energy outside Annex I	please specify
	Manufacturing of components for production of renewable energy or energy storage	please specify
Energy storage	Intra-day electricity storage	electricity
	Other energy storage	electricity heating cooling e-fuels hydrogen
	Manufacturing of components for production of renewable energy or energy storage	batteries and their sub-components recycling of materials for production of batteries other, please specify

Notes:

Categories: those are derived from the legal basis – Article 10(a) of the EU ETS Directive.

Sectors: are derived from the sectors listed in Annex I of the EU ETS Directive, the type of renewable energy source or energy storage.

- Full value chain CCUS projects, i.e. projects capturing CO₂ for geological storage or use, are categorised in the sector where they capture the CO₂. Direct air capture plants or waste-to-energy plants that capture CO₂ for incorporation in substitute products choose the sector of the product they substitute. Direct air capture plants for geological storage, waste-to-energy plants for geological storage, CO₂ transport and/or CO₂ storage projects are all categorised in sector 'Other'.
- The sector 'use of renewable energy outside Annex I' is aimed at projects whose main innovation is linked to the use rather than production of renewable energy. Such projects may for example concern the use of renewable energy in buildings or transport at local level or in specific applications such as in waterborne transport.

Products: The list of products given for each sector are non-exclusive and most give 'other products' as an option, where applicant is expected to specify the principal and other product(s) both in Application Form B and C.

- The sector 'Glass, ceramics & construction material' is a combination of the EU ETS sectors 'Glass and ceramics', 'Mineral wool' and 'Gypsum'.
- The sector 'Other' covers all other activities that fall under the EU ETS. This particularly covers combustion to generate heat and electricity. This could include projects that improve efficiency in conventional combustion plants for electricity generation or make use of CCS in the power sector or electricity and heat produced from biogenic feedstocks. The sector also covers all other combustion for industrial purposes, which falls under the EU ETS if the thermal heat input exceeds 20MW. This can apply to many sectors such as food processing or textiles. The list of products therefore also gives 'other' as an option, next to heat and electricity.
- For 'Intra-day electricity storage' the only product is electricity, while the products of 'other energy storage' can take different forms, which is accounted for by the different products listed separately and in line with products of other sectors.

Annex C provides guidance to applicants how to choose their sector and principal products.

Annex F Guidance of Work packages, deliverables, milestones and means of their verification

The objective of this document is to support the applicant in the preparation of the application form, Part B (Section 7. Work packages, activities, milestones). It contains the list of mandatory deliverables and mandatory financial reporting milestones applicable to all Innovation Fund projects. In addition, it includes a list of suggested milestones for each work package and means of their verification.

The call text foresees mandatory financial milestones: Financial close, Entry into operation, and annual reporting of GHG emission avoidance after entry into operation (i.e. 10 annual reports). These form the basic mandatory structure and organisation of the work packages: each work package ends with a financial reporting milestone and contains several deliverables and milestones. For each milestone the means of verification of achievement have to be specified in the application. Applicants may add additional work packages (and associated financial reporting milestones) according to project needs.

To assist with the planning of a solid reporting and monitoring of project implementation, the table below also contains examples of the most frequent and suggested key project milestones, and means of verification of their achievement. Their sequence, structure, timing and composition may depend on the specific situation of each individual project.

D = Deliverable (documentation that is evidencing progress)

ML = Milestone (key step in the project implementation)

FRM = Financial reporting milestone (key step in the project implementation that marks the completion of a work package and is related to a payment).

Work package 1/ Up to Financial Close				
D/ML/FRM³¹	Standard title	Means of verification	Comments	Dissemination level³²
D	Detailed project management plan		Mandatory deliverable	[SEN/PU]
ML	Project Planning approved	FEED Study finished		
		Go to market strategy		
		Supply/Procurement Strategy		
		Relevant permits granted (environment, building, operation, public acceptance)		

³¹ Please adjust as regards the project deliverables and milestones.

³² Please choose sensitive [SEN] or public [PU] where [SEN/PU] is indicated in square brackets. It is possible to foresee two deliverables, one [SEN] and one public [PU] when L1 and L2 are specified.

ML	Project authorization granted	Land purchase or lease contract signed		
		Final Design Approved at appropriate level		
ML	Main project contracting closed	Signed PPA/off take contract	Depending on the market conditions, where relevant	
		Signed EPC or Construction contract ³³	The construction contract should normally define a definitive project planning with penalties and a performance guarantee.	
		Signed Long Term Service Agreement		
		Signed feedstock/supply contract	The contract should normally define a penalty if the volumes /qualities are not delivered.	
ML	Project Financing Means Granted	Final Investment Decision (FID) with signed Financing Agreements at appropriate level		
		Signed Credit Facility with confirmation that all drawdown conditions are fulfilled		
		Signed Public Funding Agreement		

³³ If not signed before Financial Close, applicants should provide at least a clear trajectory path for likely timing and cost as well as detailed procurement arrangements for construction works, materials and equipment necessary for the proper completion of the entire project. This should be provided in the relevant documentation.

		Signed Shareholder Agreement		
D	Final version of the Financial Model		Mandatory deliverable	[SEN/PU]
D	Progress reports		Mandatory deliverable, once every six months up to financial close, synchronized with periodic reports and other mandatory deliverables when possible.	[SEN/PU]
D	Knowledge sharing report		Mandatory deliverable	L1: PU L2: SEN
D	First update to the detailed project management plan		Mandatory deliverable	[SEN/PU]
FRM	Financial close	All the previous supporting documents and deliverables for this phase, as relevant for the project	Mandatory financial reporting milestone for interim payment	
<u>Work package 2/ Up to Entry into Operation</u>				
D/ML/FRM³⁴	Standard title	Means of verification	Comments	Dissemination level
ML	Site preparation	Relevant documentation		
ML	Construction	Relevant documentation		
ML	Pre-commissioning	Relevant documentation		
ML	Signing of Operation and Maintenance	Maintenance contracts and maintenance plan		

³⁴ Please adjust as regards the project deliverables and milestones.

	agreement(s) (O&M)			
ML	Commissioning, start-up and testing	Commissioning protocol signed by all relevant parties. Signed protocol stating the start-up date and procedure and test results.		
D	Operation readiness and Completion certificate		Mandatory deliverable	[SEN/PU]
D	Progress reports		Mandatory annual deliverable, synchronized with periodic reports and other mandatory deliverables when possible.	[SEN/PU]
D	Knowledge sharing report		Mandatory deliverable	L1: PU L2: SEN
D	Second update to the detailed project management plan		Mandatory deliverable	[SEN/PU]
D	Monitoring plan		Mandatory deliverable	[SEN/PU]
FRM	Entry operation into	All the previous supporting documents and deliverables for this phase, as relevant	Mandatory financial reporting milestone for interim payment	
<u>Work package 3/ First year of operation</u>				
D/ML/FRM³⁵	Standard title	Means of verification	Comments	Dissemination level
D	Progress report		Mandatory deliverable, delivered at the end of each	[SEN/PU]

³⁵ Please adjust as regards the project deliverables and milestones.

			year of operation	
D	Annual GHG emissions report		Mandatory deliverable	PU
FRM	End of the first year of operation	All the previous supporting documents and deliverables for this phase, as relevant	Mandatory financial reporting milestone for interim payment	
<u>Work package 4/ Second year of operation</u>				
D/ML/FRM³⁶	Standard title	Means of verification	Comments	Dissemination level
D	Progress report		Mandatory deliverable, delivered at the end of each year of operation	[SEN/PU]
D	Annual GHG emissions report		Mandatory deliverable	PU
D	Knowledge sharing report		Mandatory deliverable	L1: PU L2: SEN
FRM	End of the second year of operation	All the previous supporting documents and deliverables for this phase, as relevant	Mandatory financial reporting milestone for interim payment	
<p><u>Add as many work packages as needed (e.g. from 5 for small-scale projects to 12 for large-scale projects) by replicating the same structure of work package 4 above. Note that a Knowledge sharing report is a mandatory deliverable while its periodicity depends on the call conditions.</u></p>				
<u>Work package N (e.g. 12)/ Last year of operation (e.g. tenth)</u>				

³⁶ Please adjust as regards the project deliverables and milestones.

D/ML/FML³⁷	Standard title	Means of verification	Comments	Dissemination level
D	Progress report		Mandatory deliverable, delivered at the end of each year of operation	[SEN/PU]
D	Annual GHG emissions report		Mandatory deliverable	PU
D	Verified GHG emissions report covering the entire monitoring period (i.e. of ten years).		Mandatory deliverable	[SEN/PU]
D	Knowledge sharing report		Mandatory deliverable	L1: PU L2: SEN
FML	End of the last year of operation	All the previous supporting documents and deliverables for this phase, as relevant	Mandatory financial reporting milestone for final payment	

³⁷ Please adjust as regards the project deliverables and milestones.