

Consultation on the European Commission Delegated Regulation establishing the Innovation Fund

A Eurelectric consultation paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Eurelectric welcomes the opportunity to respond to Consultation on the European Commission Delegated Regulation establishing the Innovation Fund. We believe that the Innovation Fund has an important role to play in successful delivery of the EU ETS objectives. With this in mind and having participated in stakeholder roundtables and expert group meetings on the Innovation Fund in the past, we provide the following set of views with trust that they can be useful for improving the draft delegated act further.

Member States involvement and one-stop-shop support

The regulation should give a clear guidance on the role and involvement of Member States in each step of the process of submitting and deploying Innovation Fund projects. Member States' role in project selection process must also be clearly defined (including any kind of support by Member States for submission of an Innovation Fund project).

Considering that selected projects must have Member States support, having their commitment is crucial for swift project implementation. It is essential to ensure that Member States' commitments regarding the projects are not only assumed or inferred but are also met in due time, be it regarding additional financial support, fast-track permitting or other. Member States supporting the projects should properly commit to the adequate provisions enabling its respective implementation and this could be included as part of the selection criteria (maturity), financial close or responsibilities of Member States.

The role of Member States in supporting project promoters should be clearly defined in case of several projects to be submitted per country, for cross-border projects, and before transfer of funding from the Commission to the project (reference of payment for funding rates). To provide clear and replicable rules for description of project costs (CAPEX and OPEX) as well as reference scenarios used to calculate the funding amount sufficient support has to be provided for project promoters from the beginning. Projects all over Europe have to be treated equally in terms of eligibility of costs and reference scenarios with homogeneous reference scenarios across the 28 Member States to avoid unfair competition between projects.

For support for project promoters, a simplified process compared to NER300 is needed - a one-stop-shop between project promoters and the Commission with direct communication between all. During project proposal preparation, a one-stop-shop approach would be most helpful to enable simplified process compared to NER300 and to ensure timely administrative decisions from EU Institutions and Member States also on all other necessary evaluations or notifications, such as those regarding competition and state aid.

Evaluation criteria and weighting guidance

There has to be a clear description and guidance for project promoters on the evaluation criteria and how they are described and used for project selection in detail. The evaluation process has to be clearly described already for the first call to give guidance how to submit successful projects. The weight given to each criteria has to be described as in the case of Horizon2020 criteria. The projects submitted should be evaluated per sector to avoid unfair competition.

Considering that the main drivers for low success rate of the projects financed by NER300 were the selection of immature projects, the due diligence and evaluation process should be improved (phase 1 and 2) including independent experts' review. A possible solution would be the provision of an independent process of reviewing the final selection by experts active in the given Industry. This could generate alerts on the feasibility and maturity of some proposals that have gone through official evaluators and lead to further research or to the change in the selection of projects to be financed.

Additional criteria aimed at achieving a geographically balanced distribution of the Innovation Fund support including projects in lower-income Member States need to be applied for the purpose of project selection in line with the objectives of the Directive.

Additional support and funding

Clear guidance for applicants is needed regarding information on synergies with other funding and support schemes, regarding applicability, as well as to what extent additional support influences evaluation criteria.

In order to minimize the amount of unspent resources a reserve list of projects with clear procedures for use of undisbursed Innovation Fund resources could be developed beforehand e.g. through existing EU financial instruments, as it was done with NER300 at a later stage.

Small projects threshold

Small projects budget limit seems to be very low if they are supposed to have demonstration character and potential for replicability. The upper limit for small projects costs should be either aligned with 12,5 M EUR threshold used for defining small-scale projects under the EU ETS Directive Article 10c or alternatively with 20 M EUR threshold used by the EIB.

Milestone deadlines

In NER300, fixed implementation timeline did not recognize the uncertainties, which impacted the project's timing. The targeted projects are of a pre-commercial nature, meaning they have a strong innovation component, but they already have a scale and objectives close to commercial projects. The anticipation of deadlines is not straightforward. Specific milestones' establishment for fund disbursement shall allow for more flexibility of the relevant dates of implementation of the projects, including the possibility of their establishment on a case-by-case basis instead of using common deadlines.

"First-of- a-kind" and examples of projects

The acknowledgement of the need to support not only the investment itself, but also in certain cases, the operating costs of the "first-of-a-kind" projects, can allow for faster commercialization of new technologies and solutions, and in consequence decrease the overall GHG emissions by improving resource efficiency in line with the spirit of circular economy. In our view the issue of improved resource efficiency, leading to decrease of GHG emissions, could be explicitly mentioned in the operational objectives of the fund.

In line with the concept of circular economy waste-to-energy should be added to the list of illustrative examples of potential projects that can lead to significant reduction of GHG emissions.

Project development costs recovery

There is a need to ensure that the eligible documentation cost including feasibility study and other relevant technical cost are subject to the recovery rules only due to deliberate negligence from project sponsors or if they were unduly paid, as referred to under the European energy programme for recovery framework. Highly innovative projects have implicitly high implementation risk, which may not be fully foreseen by the project sponsor. Eligible costs should be recovered only if the investment delays or insufficient results in avoidance of the GHG emissions were a direct result of the deliberate action or negligence of the project sponsor.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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