2018 CALL FOR CCUS INNOVATION

REVISED Q&A

September 2018
2018 Call for CCUS Innovation - Revised Q&A

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Any enquiries regarding this publication should be sent to us at Industry.Innovation@beis.gov.uk.
This document covers a few of the frequently asked questions that applicants commonly ask in BEIS grant-funded innovation calls. Applicants can ask further questions relating to the Call by email, addressed to Industry.Innovation@beis.gov.uk by 31st August 2018. To ensure an open and transparent competition answers to questions will be added to these FAQs. These will be republished on 14th September 2018.

1. **What is the CCUS call?**

The BEIS 2018 Call for CCUS Innovation will provide grant funding to innovation projects that significantly reduce the cost of capturing and sequestering carbon dioxide (CO2). The scope of the call covers the full range of CCUS innovation which includes carbon capture, transport, utilisation and storage. This covers both power and industrial CCUS and includes greenhouse gas removal (GGR) approaches that are based on capturing and sequestering carbon dioxide. This call will also consider funding research infrastructure that enables the UK to conduct world-leading research and innovation in CCUS.

2. **Who can apply?**

The funding is aimed at all sizes of organisation and will consider both company-led and university-led projects, please see 2018 CCUS Call Guidance Notes.

3. **How much funding is available?**

The total amount of funding available through the CCUS Call is £15 million. Organisations can bid for up to £5 million per proposal (£7m for research infrastructure proposals) to develop and demonstrate innovative technologies and processes and get advice from experts on how to bring their products to market. The scheme is designed to support projects for Experimental Development or Industrial Research at Technology Readiness levels 3-8 (for definitions see Appendix 2, CCUS Call Guidance), Feasibility Studies or Research Infrastructure. It is intended that the funding will leverage additional funds from private sector investors both as match funding for the project and through subsequent investment raising activities, where appropriate.

4. **How long does the assessment process take?**

About four months from the close of the Call to award of grant, depending on the nature of the project and any outstanding issues being resolved. Applications are assessed by BEIS and external technical experts. Applications are judged against a range of criteria as set out in the CCUS Call Guidance Notes including whether they result in:

- A significant reduction in the cost of capturing and sequestering CO2;
- Quicker and more widespread deployment of CCUS to meet the ambition of the Paris Agreement;
• A route for the intellectual property (IP) to be commercialised following the project.

5. What is incubation support?

To help ensure that companies achieve maximum commercial impact from a CCUS grant, BEIS also contracts industry specialists to provide incubation support to some SME grant recipients – in addition to their capital grant. Incubation support includes helping companies prepare commercial plans and actions that will increase the chance of successfully bringing the innovation to market or reduce the time to market.

6. How long does it take to receive a Grant Offer Letter, if we are successful?

See Question 4.

For proposals by SME organisations, after the provisional award of grant there will be an Incubation Planning Session, after which BEIS will agree with you the Grant Offer Letter, in particular the Annex 2 which sets out milestones linked to grant payments and evidence of activity to be provided to BEIS.

For non-SME proposals, there is no incubation support available, and so skip the Incubation Planning Session stage.

For a collaborative project, you will also need to submit a final draft of your collaboration agreement to BEIS for review and approval. This would normally be in line with the Heads of Terms submitted with your application. Assuming there are no issues with these, it should be possible to progress from provisional offer to Grant Offer Letter within 2-3 months.

7. How does BEIS define Capital Costs?

BEIS will award grant for mainly capital costs. EU Law – specifically State Aid - governs how BEIS awards public grants. For this competition, BEIS will award grants under are Article 22 ‘Aid for start-ups’, Article 25 ‘Aid for research and development projects’ and Article 26 ‘Investment Aid for Research Infrastructures” of the EU General Block Exemption Regulation (GBER)\(^1\). We strongly advise all project applicants to read this.

Applicants should note that the UK’s rights and obligations of EU membership, including compliance with State aid rules, continue to apply until the UK’s exit from the EU has been completed.

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BEIS broadly defines **capital costs** as the construction and start-up costs of a project but not its on-going operation. Capital costs will include expenditure on tangible assets such as land, buildings, machinery and IT systems and intangible assets such as patents, trademarks and some IT software. In all cases, capital costs must fall within Article 25(3) of the **EU General Block Exemption Regulation (GBER)**.

**N.B.** It is for project applicants to agree with their own auditors what costs can be capitalised on their balance sheets.

**8. How do I know whether my technology is eligible for the Call?**

The scope of the call covers the full range of CCUS innovation which includes carbon capture, transport, utilisation and storage. This covers both power and industrial CCUS and includes greenhouse gas removal (GGR) approaches that are based on capturing and sequestering carbon dioxide. This call will also consider funding research infrastructure that enables the UK to conduct world-leading research and innovation in CCUS. However, the technology must be at least at Technology Readiness Level (TRL) 3, see CCUS Call Guidance Notes.

**9. Can I discuss my application with someone in BEIS?**

BEIS will not be able to engage in detailed discussions about specific project ideas or technologies. If you have a question you can email Industry.Innovation@beis.gov.uk.

Please note though that BEIS is required to provide any answer or information given to one applicant to all applicants, so answers will also be made public via an updated version of these FAQs, which will be made available after the deadline for questions. Applicants are therefore reminded that anyone can view the FAQs, thus questions should not reveal anything commercial in confidence or sensitive to your application.

**10. Within a collaboration, which partner should provide the match funding for the project?**

Match funding can be provided by any or all of the members of a collaborative application. Your Heads of Terms provided with the application should clarify the match from each collaborator.

**11. Does BEIS provide any pre-financing?**

BEIS is unable to pay a grant in advance of need, however the cash-flow for the project will form part of the discussions to agree the Grant Offer Letter for successful applicants.
12. What is classed as match funding, can it be time of staff on a project or existing equipment put forward from partners or does it need to be real cash in the bank?

Match funding needs to be demonstrated by a transfer of money. The simplest form of match is therefore cash. Staff time is acceptable as the staff are paid for their time and therefore money has changed hands in respect of the staff time. In kind match, i.e. where a good or service is gifted to the project, is more problematic as there can be significant audit issues in assigning a value to this type of match and it should therefore be avoided.

13. Can we apply for funding from the CCUS Call and then retrospectively gain our match funding?

Match-funding will need to be in place when your project starts as a condition of the grant, project start dates are anticipated to be March 2019. This does not need to be signed off at the time of the application, but you should be able to demonstrate the likely source(s).

14. Are companies that are also registered charities allowed to apply?

Companies registered as charities can apply to BEIS’s 2018 CCUS Call.

15. How many applications can one company make?

An individual organisation may submit more than one application so long as the subject and content are materially different. Similarly a company can partner on more than one project.

16. Is there any guidance or size limits associated with the supporting appendices and / or attachments that can be included with the submission?

There is no specific limit to the size of the supporting appendices, however applicants should be aware that assessors have limited time to spend going through too much information. Ideally the application should stand alone, however we accept that there may be additional information which needs to be appended and referenced.

17. We use a Mac and the drop-down lists on the application form do not function correctly.

You can manually type in the correct response using the drop-down lists responses provided below:

- Is this a collaborative application? (Yes / No)
- Title (Mr / Mrs / Miss / Ms / Dr / Prof)
Business Type (Charity / Co-operative / Limited by Guarantee / Limited Liability Partnership / Other / Partnership / PLC / Sole Trader / University/Educational / Unlimited Company)

Business maturity (Pre-startup / Startup<1yr / 1-5 yrs / 6-10yrs / >10yrs)

Does the business have a parent company? (Yes / No)

Is the company able to recover VAT? (Yes / No)

Which article are you applying under? (Article 22 Small Innovative Start Up / Article 25 Industrial Research / Article 25 Experimental Research/ Article 25 Feasibility Studies / Article 26 Research Infrastructure)

If you are applying under Article 25, is this a Collaborative Application? (Yes / No)

Company maturity (Pre-startup / Startup<1yr / 1-5 yrs / 6-10yrs / >10yrs)


18. Please explain the difference as far as the application is concerned between a partner or a sub-contractor?

A partner is named within the Grant Offer Letter and the relationship between the lead and partner is governed by a collaboration agreement. A partner’s costs must be reimbursed at cost, i.e. unlike a sub-contractor they may not include a profit in the costs they are paid. A sub-contractor is selected by the lead to complete specific tasks. They can make a profit and, if not named in the application, must be correctly procured. Any application involving partners must also submit a formal Heads of Terms setting out the principles for the collaboration agreement to be put in place should the application be successful. The Heads of Terms will form part of the assessment process and BEIS will review it to ensure that the proposed partnership is robust.

19. Can the product developed under an CCUS Call project be installed and tested outside the UK but within the European Union? Can a part of the total project expenditure be spent outside UK, and if so, is there a minimum threshold for expenditure within the UK?

The Guidance Notes state that the project activities “must largely be conducted in the UK.” This does not preclude elements of the project, e.g. testing, from being conducted outside
of the UK. Part of the project costs can be spent outside of the UK; however, it would be for you to justify that within your application.

20. Could you confirm whether the fund is limited to UK based companies?

Non-UK companies can receive CCUS grants. However, as per point 6 of the eligibility criteria within the Guidance Notes “The project’s activities must largely be conducted in the UK.” Provided this can be demonstrated, your application would be eligible.

21. Can the 10% match funding be a contribution in kind (e.g. managerial/expertise time)?

We would not accept contributions in kind as match funding, as these are ascribed a notional cost. However, where money changes hands (e.g. for the time of managers or experts who are paid by yourselves or another partner) this would not be considered as in-kind match funding.

22. How should we calculate overhead rates?

CCUS overhead rates are paid as percentages applied to salary costs. You should calculate your overhead rate based on the overheads incurred in your last financial year. For larger, more complex organisations you should include only those overheads which are relevant to the delivery of the project. BEIS will not fund overheads which do not relate directly to the delivery of the project. You must show clear calculations within the Finance Form to demonstrate how the percentage calculation has been reached. If you do not provide a calculation, then BEIS may award overheads at 0% as there is no evidence that overheads claimed relate to the project activity. In this respect, BEIS is different from other funding streams, such as Innovate UK or research councils.

23. Do we need to send 2 finance forms since the project will be a collaboration (e.g. between two or more companies, a company and a university, etc.) or should everything be included into 1 finance form?

Costs relating to a partner must be incorporated into a single project Finance Form. Specifically, a partner’s staff costs should be entered on the Staff costs tab alongside the lead partner’s staff costs (though identifying which is which is necessary), etc.

24. We are a collaborative application and need to submit a Heads of Terms for our eventual collaboration / partnership agreement. What should we include in this?

The contents of the Heads of Terms is at your discretion. However, the assessors and BEIS will use the Heads of Terms to help establish the strength and degree of development of the collaboration, as well as the extent to which the lead applicant will be able to manage collaborators. You should therefore have some detailed discussions with
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...your collaborators while developing your proposed project. The Heads of Terms should outline the main relevant issues and could include, for example:

- Roles and responsibilities of each collaborator / partner
- Agreed response times / deadlines for each collaborator / partner in respect of queries or information needed for claims or queries on the same
- Milestones and deadlines for activities
- Treatment of IP, confidentiality, etc.
- Dispute resolution
- Handling of risks and liabilities between the partners
- Financial reimbursement terms

N.B. BEIS will require a final draft of a collaboration agreement for the partnership before a Grant Offer Letter can be issued. It is hoped that developing a Heads of Terms for this at application stage will expedite this process, however BEIS would not normally expect that the final draft agreement would be materially different from the Heads of Terms. It is therefore important that the collaborators agree robust Heads of Terms.

25. Can applicants apply for both the Call for CCUS Innovation and the CCU Demonstration programme? Can there be overlap in the work of both of these projects?

The aim of the CCU Demonstration (CCUD) programme is to support the demonstration of CCU technology on industrial sites in the UK. It is envisioned that the technologies that are the subject of the CCUD programme have been tested at a smaller-scale and have been sufficiently de-risked, in keeping with them being demonstrated in a “pre-commercial/commercial” application. Whereas the Call for CCUS Innovation is looking to fund the next tranche of CCUS innovation that offers the potential to significantly reduce the cost of CCUS in future.

Applicants can apply to both programmes so long as the specific project meets the aims of the respective programme.

26. With Innovate UK, you can normally work with KTN to feedback on the writing of applications; is there a similar organisation/liaison contact when writing applications for BEIS competitions??

The innovation teams in BEIS commonly operate an “open-door” approach, happy to meet innovators and hear the latest ideas. As it keeps us abreast of the issues, allows us to tailor future calls and helps the innovators get a sense of what we are looking for. The only exception is when such questions and meetings relate to a call that is still open. During which to ensure a fair and transparent we do not meet, or discuss project ideas with applicants; and respond to questions by publishing revised Q&A that is available to all applicants.
As part of the application process BEIS will provide feedback on the applications received. BEIS aims to have provided all feedback to applicants within two months of the final funding decision. However, applicants are asked to remember that BEIS may receive a significant number of applications and the timing of the release of feedback will be at BEIS’s discretion.

27. Would a project which just focused on CO2 utilisation (e.g. transformation to fuels or chemicals for example) be allowed, or do you expect to see a full end-to-end project submission?

Projects can focus on a single aspect of CCUS so long as they demonstrate how the outcomes of the project will lead to a significant reduction in the cost of capturing and sequestering carbon dioxide, and/or a quicker more widespread deployment of CCUS in the UK and internationally.

28. In the section 1. It defines funding will be available for “Industrial Research, Experimental Development and Feasibility Studies”. However, these have different levels of “aid” as listed in Table 1. If the proposal can be defined as more than one of these, which level of aid is chosen?

Commission Regulation (EU) No 651/2014 defines if a project is predominantly industrial research or experimental development, that is the case where more than half of the eligible costs of the projects are incurred through activities which fall within these categories of research and development, that for state aid purposes the eligible costs will be treated under that category.

29. There is no indication of the level of aid to University partners? Does a University count as “small”?

Please refer to the Communication from the Commission on the Framework for state aid for research and development and innovation (May 2014). Where a research organisation or research infrastructure is used for both economic and non-economic activities, public funding falls under state aid rules only insofar as it covers costs linked to the economic activities. Where the research organisation or research infrastructure is used almost exclusively for non-economic activity, its funding may fall outside state aid rules in its entirety. For the purposes of this framework, the Commission will consider this to be the case where economic activities consume the same inputs as

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3 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_2014.198.01.0001.01.ENG
the non-economic activities and the capacity allocated each year to such economic activities do not exceed 20% of the relevant entity’s overall annual capacity.

Hence university partners, that are predominantly performing non-economic activities, can claim up to 100% of their eligible costs, but projects for this Call that offer greater levels of match-funding will be looked more favourably on.

30. Are not-for-profit organisations eligible for state aid for the construction or upgrade of research infrastructure?

Please refer to the Communication from the Commission on the Framework for state aid for research and development and innovation (May 2014).

Research and knowledge dissemination organisations (‘research organisations’) and research infrastructures are recipients of state aid if their public funding fulfils all conditions of Article 107(1) of the Treaty. As explained in the Notice on the notion of state aid, and in accordance with the case-law of the Court of Justice, the beneficiary must qualify as an undertaking, but that qualification does not depend upon its legal status, that is to say whether it is organised under public or private law, or its economic nature, that is to say whether it seeks to make profits or not. Rather, what is decisive for that qualification as an undertaking is whether it carries out an economic activity consisting of offering products or services on a given market.

31. What is meant by “small”, “medium”, and “large” sized enterprises?

Commission Regulation (EU) No 651/2014 (Annex 1) defines small, medium and large sized enterprises as follows:

A small sized enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

A medium sized enterprise is defined as an enterprise which employs fewer than 250 persons and whose annual turnover does not exceed EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Large sized enterprises are those that do not meet the small and medium sized enterprise category.
32. Does the definition of research infrastructure include purchasing existing equipment in the UK, and using that as part of experiments on research infrastructure which is located in other countries outside Europe, the intention is to return the equipment to the UK?

The European Commission’s definition (as defined in EC regulation 651/2014) for “research infrastructure” is provided in the 2018 Call for CCUS Innovation Guidance Notes. BEIS is content that the definition of research infrastructure can include mobile equipment that can be used outside the UK and eventually returned to the UK. Please also refer to question 33 and 34.

33. What is meant by “the work funded must largely be conducted in the UK”?

Greater than 51% of the eligible project cost must have occurred in the UK.

34. If our project involves the purchase, construction and testing of equipment at site what is the difference between applying under article 26 for research infrastructure and article 25 industrial research (or experimental development)?

Commission Regulation (EU) No 651/2014 defines eligible project costs for aid for the construction or upgrade of research infrastructure to be the investment cost of the intangible and tangible assets. Prices charged for the operation or use of the infrastructure shall correspond to a market price. Whereas eligible cost of aid for industrial research (or experimental development) includes personnel costs; costs of instruments and equipment; costs for of building and land; costs of contractual research, knowledge and licensing; and additional overheads and other operating expenses including materials, suppliers and similar products.

Hence eligible costs for industrial research (or experimental development) are more in keeping with the cost associated with conducting and R&D project, and are not solely to pay for the research infrastructure.

35. Is it correct to assume that the private funding contribution, and consequently the measure of public funding intensity, is assessed against the total budget covering several workstreams (where only one workstream is described in the application form as “innovative”), as portrayed solely in the Finance Form template?

Take for example a CCUS development project covering three parallel workstreams A, B and C at a capital cost of £A, £B and £C respectively.

Workstream B is described in the detailed application to the BEIS Innovation Fund as the innovative aspect of the CCUS development project deemed most appropriate to meeting the requirements of the public funding competition.
Workstreams A and C are entirely related to exploiting commercially the outcome of Workstream B. All three Workstreams are described and costed in the Finance Form template and presented to BEIS.

Is it therefore correct to assume that the funding intensity would be measured ultimately against the total project budget of £A + £B + £C for the whole CCUS commercialisation project, or solely against £B i.e. the “innovation” workstream described in detail throughout the application materials?

It is common for BEIS to consider the full project as it is important to understand what activities are being undertaken to realise the potential of the innovation. There is nothing wrong with a bidder describing the different workstreams that are due to happen, and that only a specific workstream requires grant funding from BEIS. So long that the funding intensity requested is not in excess of the amounts detailed in EC regulation 651/2014.

36. For applicants applying for a grant under article 22, by when in the grant award must the company be younger than 5 years?

For applicants applying under article 22, the company must be younger than five years. The start of the five years is defined as follows:

‘Eligible undertakings shall be unlisted small enterprises up to five years following their registration, which have not yet distributed profits and have not been formed through a merger. For eligible undertakings that are not subject to registration the five years eligibility period may be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.’

The date of the final signed version of the grant offer letter from BEIS must be before the five year anniversary as defined above.