Department for
Business, Energy
& Industrial Strategy

INDUSTRIAL HEAT RECOVERY SUPPORT (IHRS) PROGRAMME

Questions/Answers about the Programme

June 2020

Acknowledgements

This document covers a few of the frequently asked questions that applicants commonly ask about the Industrial Heat Recovery Support (IHRS) Programme and the questions asked and responses given during Question & Answer sessions at IHRS events. Applicants can ask further questions relating to the IHRS by email, addressed to ihrsprogramme@icf.com. To ensure an open and transparent competition, these will be republished with reviewed questions and answers each month.

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Questions/Answers about the Programme

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1 Programme Overview

1.1 How does the IHRS define industrial heat recovery?

Industrial heat recovery is a process by which heat generated in or for an industrial process that otherwise would be wasted is recovered and used. This waste heat can be used in a number of ways, including within the same facility for heat or cooling, by another end user (e.g. via a new or existing heat network), or by converting the waste heat to power.

Heat from all waste streams (solid, liquid and gas) are included in this definition.

1.2 How long does the IHRS Programme run for?

The IHRS Programme will run from 15 October 2018 until 31 March 2022.

It is expected that Phase 1 projects (those being feasibility studies, feasibility studies followed by preliminary engineering, or preliminary engineering only) will be completed prior to March 2022. It is also expected that Phase 2 projects will be 'live' and in service by March 2022.

1.3 Who are the delivery partners?

The delivery partners are ICF and SLR. They can be contacted at ihrsprogramme@icf.com.

2 Eligibility

2.1 Who can apply to the IHRS Programme?

The Programme will be open to companies in all industrial manufacturing sectors as set out in the Office of National Statistics (ONS) Standard Industrial Classification (SIC) codes 10 – 33. The Programme is also open to Data Centres (SIC Code 63110 - Facility Heating Ventilation and Air Conditioning (HVAC) and ancillary systems only; does not apply to internal processor cooling). The programme is also open to third party companies, to apply as the main applicant, on behalf of sites operated by companies within the eligible SIC codes.

2.2 Does the IHRS programme cover cooling?

Yes, the programme covers energy and not just heat. Heating, cooling, electricity generation, trigeneration and storage are all covered under the IHRS Programme. The Programme documents refer to the energy user and no presumptions are made on how the energy is used.

2.3 Are connections to new build heat networks eligible or is funding only available for connections to existing heat networks?

The IHRS programme only funds heat recovery projects within and up to the site boundary. For connections to heat networks beyond the site boundary, other sources of funding will have to be sought. Only connections to existing heat networks are eligible unless the new build heat network will be available for use as a heat sink by March 2022.

2.4 Can a single company apply to the programme or does it have to be a consortium?

Yes, a single company can apply to the IHRS Programme.

2.5 Can another organisation (e.g. waste heat recovery system designer, consultancy, Energy Services Company) apply on behalf of or offer assistance to the company, who operates the site where the project is based?

Yes, the programme is open to third party companies, to apply as the main applicant, on behalf of sites operated by companies within the eligible SIC codes. Where site details are required in the application documents, the details of the site where the energy is being recovered should be provided.

Applicants can also nominate a supporter to assist them or to fill out the application on their behalf. However, applicants and supporters should ensure that all declarations are made by the authorised person, as specified in the Application Registration form. See Section 6 of the Application Workbook for further details.

2.6 Are you considering applications from academic organisations and will they qualify for a funding uplift?

Under Article 38 of General Block Exemption Regulations (GBER), which applies to IHRS preliminary engineering, detailed design and capital implementation, there is no specific provision for partnerships or consortia between academic organisations and commercial undertakings. Any application for IHRS funding will be covered, at least in part, by Article 38.

Academic institutions may apply to the IHRS Programme, but only when acting as a commercial undertaking. Therefore, the uplift in aid intensity allowed for under Article 25(6) of GBER is not applicable for IHRS purposes.

The IHRS Programme accepts applications from applicants who operate sites with the Office of National Statistics (ONS) Standard Industry Classification (SIC) codes 10-33 and Data Centres only. This also includes third party companies, applying as the main applicant, on behalf of sites operated by companies within the eligible SIC codes. An academic organisation can be nominated as an application supporter.

2.7 If a company fits within SIC (Standard Industry Classification) codes 10 to 33 or is a Data Centre, does the site for the proposed technology also have to fall within those SIC codes or be a Data Centre?

Yes, the site at which the project will be implemented must fall within SIC codes 10 to 33 or be a Data Centre. If a parent company does not fit within those SIC codes but the manufacturing activity on site does, we will consider these cases on an individual basis.

2.8 What funding is available for projects in Northern Ireland and Scotland?

The IHRS Programme is open to projects based in England and Wales. Heat is a devolved issue in Scotland and Northern Ireland. It is our understanding that the devolved administrations in Scotland and Northern Ireland do not currently provide similar sources of funding for industrial heat recovery technology.

2.9 Are small and medium enterprises (SMEs) defined on an EU-wide basis?

Yes. The definitions for small, medium and large enterprises are provided in the Programme Guidance Note.

2.10 Will projects that save more money/energy using more energy-efficient technology be disadvantaged in the application process?

There is no disadvantage associated with more energy-efficient projects. This is covered under the wider benefits assessment criterion. The IHRS Programme encourages higher energy savings and projected energy savings should be backed up with good quality evidence. However, the Programme is aimed at projects that need assistance. Therefore, if the project is likely to meet internal hurdle rates without IHRS grant funding, it will not be eligible to apply to the Programme.

2.11 Is there an expected duration for projects applying in the Programme?

All proposed activities up to and including operation start up must be completed by March 2022 to ensure that all milestone payments can be claimed. In addition to the project implementation time, applicants will need to factor in when they submit their application, the assessment windows and the decision time into their project duration planning.

Following operation start up, participants are expected to conduct and report 12 months of ongoing monitoring and verification data.

2.12 Are projects that propose utilisation of recovered low-grade heat by heat pumps eligible for IHRS funding?

Yes, they are.

2.13 Does the IHRS programme cover projects that use the recovered heat for electricity generation?

Yes, it covers on-site electricity generation

2.14 Does the IHRS programme cover projects where the bottoming cycle generator is not existing?

The heat source and the site must already be existing, but the technology used, such as a bottoming cycle generator, does not have to be existing.

2.15 If from the Preliminary Engineering, the project implementation cost is estimated to be £6 million, would such a project be eligible for IHRS Phase 2 funding?

Yes, each application is eligible for up to 30% of the eligible costs for large enterprises and up to 40-50% of the eligible costs for small and medium enterprises, up to a maximum Phase 2 grant support of £1.5 million per project. Additional project funding can be received from the private sector, but the grant funding must be State aid compliant.

2.16 What is considered as an acceptable hurdle rate for the programme?

The programme is open to several different sectors and so the hurdle rate is not defined, as it will vary from sector to sector. This is linked to the additionality of the project; applicants will need to justify their internal hurdle rate qualitatively, using whichever metrics they choose to (simple payback, Net Present Value, IRR etc.).

2.17 With regards to interaction with the Heat Networks Investment Project (HNIP) funding, do you want to see evidence of HNIP applications that have been made for connecting to a district heating scheme?

IHRS funding is only available for the elements of the project capturing and using the heat on site, and for any pipework up to the edge of the industrial site boundary. However, exporting of electrical energy (generated from the industrial waste heat recovery project) to the grid network is accepted by the Programme.

In the case where the recovered heat will be used by an existing heat user beyond the site boundary, applicants are expected to provide sufficient evidence that there is a guaranteed mechanism to take recovered heat off site and for it to be utilised. The heat uses by the heat user will be detailed in the Application Workbook, and if necessary, the Delivery Partner will conduct a site visit to verify the arrangement of the proposed installation.

Applicants may use other sources of funding for projects outside the site boundary. However, applicants must ensure they are State aid compliant, if applying for other funding sources.

3 Application Process

3.1 How do I apply to the IHRS?

Potential applicants are invited to submit their Application Registration form from 15 October 2018 onwards. The Application Registration form is available on the IHRS webpage and should be emailed to ihrsprogramme@icf.com to begin the application process. A full application consists of a completed Application Registration form and the relevant Checkpoint form and Application Workbook for the Phase of the programme you are applying to. All three

elements of the application need to be submitted by the submission deadline for the assessment window you wish to be considered in.

3.2 Where can I find the guidance information on how to submit an application?

The Programme Guidance Document is available on the IHRS webpage. Note that this may be updated where required. Version numbers are included on the document.

3.3 Do I have to apply for a feasibility study through the IHRS before I proceed with the other parts of the Programme?

No, there are three entry points to the Programme for projects at different stages of development: pre-feasibility study; pre-preliminary engineering; or pre-detailed design. Applicants may enter the Programme at the most appropriate stage for their project's development, however, applicants entering at later points must provide evidence of a relevant previously conducted feasibility study and/or preliminary engineering study.

3.4 Which forms do I need to complete if I want to apply for the Programme?

To apply for the Programme, you will need to submit the Application Registration form. The Delivery partner will then issue you with the relevant Checkpoint forms, which are:

1. Checkpoint 0 form for feasibility study and preliminary engineering applications.
2. Checkpoint 1 form for a preliminary engineering study only application.
3. Checkpoint 2 form for a Phase 2 (detailed design and implementation) application.

After completing the relevant Checkpoint forms, applicants will be invited to proceed with the Programme unless their project does not meet the minimum eligibility criteria set out in section 1.2 of the Programme Guidance Document or the checkpoint form is incomplete. If proceeding, participants will be provided with the relevant Phase Application Workbook to be completed and submitted to the Delivery Partner.

3.5 Can you give examples of the activities you will expect to have already been undertaken during pre-feasibility?

At this stage, only a high-level view of the heat recovery opportunity with the necessary information with which you can complete the application form is required. You should have identified the potential opportunity and carried out the initial checks to see if the project meets the programme criteria.

3.6 Can applicants use standard parameters like wholesale gas prices to estimate their savings on fuel expenditure, if they do not want to disclose how much they pay for their fuel?

Applicants are asked to submit copies of invoices so that the savings quoted on the application can be verified.

Confidential information provided by applicants will be treated confidentially and no details will be disclosed to anybody else without your agreement, save for where disclosure is required by law or in certain other carefully prescribed circumstances which will be set out in the Grant

Funding Agreement. The confidentiality of all such information will be safeguarded by BEIS and our Delivery Partner, when conducting Programme activities.

3.7 Can owners' internal salary costs include all normal salary on-costs?

Yes, cost rates can include all normal employment rates and overheads but cannot include a profit margin.

3.8 Under the cost, finance and additionality criterion, does fair market value with zero profit requirement apply to the suppliers, as well as the end-user (applicant)?

No, the zero profit requirement only applied to the end-user (applicant) and not for the supplier of the equipment purchased in the course of the Programme.

3.9 Have you accounted for the residual value of capital equipment after the project?

A piece of equipment might depreciate over 10 years, but the project only lasts for two years and so there is a challenge with how much value the equipment has compared to how much grant funding is available.

The relevant GBER Articles for the IHRS programme are Article 25 and Article 38. There is no requirement for depreciation to be applied to eligible costs for feasibility studies under section 4 of Article 25. There is no requirement for depreciation to be applied to eligible costs for preliminary engineering, detailed design, and capital implementation under Article 38.

3.10 The Programme assessment criteria does not include innovation, but covers TRL 9 technologies. Would it be fine for projects to use heat recovery technologies and processes that may not be new to their industry but are new to their site?

Yes, this would be fine.

3.11 Can a project apply for an upgrade to existing heat recovery technology in an industrial process, rather than implementing heat recovery on a process that currently has none?

Yes, a company can apply to upgrade existing heat recovery technology for new technology. The project will be assessed based on the additional benefits that will be delivered by the new technology – that is the difference in output of the existing technology and the upgraded technology.

3.12 Will the Internal Rate of Return (IRR) figures quoted on application forms be accepted on face-value or will these be verified?

The application workbooks include a calculation page which the applicant can see. The applicant only provides the raw data for energy and costs along with evidence to support the provided information.

The evidence and its quality will be considered when assessing the application. The better the quality of the evidence provided, the more confidence we will have in the accuracy of the provided information.

3.13 How do you rank alternative technologies with regards to project spend? Will competitive IPR be ranked based on the country the technology originates from?

The IHRS programme is technology-neutral; intellectual Property (IP) or company ownership is not considered in the competitive process, but the site must be in England or Wales. Eligible technologies will be Technology Readiness Level (TRL) 9 or commercially available.

3.14 Do applicants need to carry out an options appraisal of a range of opportunities?

For a given heat recovery opportunity, applicants can carry out an options appraisal of different heat recovery methods. This does not need to be done during the pre-feasibility stage. It could be carried out as part of your feasibility study.

3.15 Can a company apply for funding for several different heat recovery opportunities?

With regards to different heat recovery opportunities within a given company, companies can make multiple applications to the Programme for each heat recovery opportunity. However, any grant funding received must be State aid compliant.

3.16 As the technology is TRL9 or commercially available then it would be helpful to have a list of such technologies. Can you provide one?

Applicants must decide whether their chosen technology is at TRL9 or is commercially available and then demonstrate this in their application. The following guidance is provided.

TRL 9 or commercial viability will be assessed based on the evidence provided by the applicant. For example, this may include the number of suppliers available, number of units sold in the market, capability of supply chain, or standardised equipment specification which is readily available ‘off-the-shelf’.

4 Programme Assessment

4.1 Why are applicants for Phase 1 not assessed on Value for money?

Applicants for Phase 1 are not assessed on Value for money, because estimates may vary in accuracy until a feasibility study has been completed. Therefore, scores may not be comparable. Applicants will still be assessed on the likely wider benefits of the project among other criteria, as this criterion is less dependent on the accuracy of the figures and more on the logic of the assumptions.

4.2 Is the technical concept assessment criterion applicable to feasibility study applications?

Technical concept applies to both Phase 1, which includes feasibility study and preliminary engineering, and Phase 2 applications. The information provided by applicants is expected to be more high level for Phase 1 applications and more in-depth for Phase 2 applications.

4.3 Are there minimum values for kWh of heat recovered per unit grant funding that the project will have to meet?

No there are no minimum heat recovery requirements. However, one of the scoring criteria for competitive assessment is value for money.

4.4 I understand the grant award process is competitive but are there minimum criteria e.g. cost of Carbon Dioxide saved or heat recovered, that need to be achieved?

There are no minimum criteria. However, section 3.5.2 of the Programme Guidance Document provides the scoring threshold for the competitive assessment's scoring criteria.

4.5 If there are not many applications will you just hand out the money to any project?

The purpose of the Programme is to encourage industrial heat recovery projects and we hope to get a good number of applications. Applicants must pass the scoring threshold indicated in section 3.5.2 of the Programme Guidance Document to be considered for funding and to be competitively ranked according to their assessment score, regardless of the number of submissions in an assessment window.

5 Programme Funding

5.1 How much funding can I apply for?

Table 1 State aid maximum aid intensity

<table>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">Phase 1 Concept and Definitio n</td><td>a) Feasibility study</td><td>Up to 50% of eligible costs</td><td rowspan="6">Small enterprise – Up to an additional 20%

Medium enterprise – Up to an</td><td>N/A</td></tr>
<tr><td>b) Preliminary engineering</td><td rowspan="5">Up to 30% of eligible costs</td><td rowspan="5">An additional 5 to 15% depending on project location</td></tr>
<tr><td rowspan="4">Phase 2 Capital Delivery</td><td>a) Detailed design</td></tr>
<tr><td>b) Construction</td></tr>
<tr><td>c) Commissioning</td></tr>
<tr><td>d) Operation Start-up</td></tr>
</table>

	e) Monitoring and Evaluation		additional 10%	

* Maximum aid intensity for large enterprises.

Notwithstanding the above maximum grant limits, applicants should bear in mind that the total grant funding pool is limited. Applicants should avoid bidding for the largest grant limit available to them unless they are able to justify the need for that level of grant funding, and consider that all applications will be assessed against reasonableness of cost and Value for Money (see Table 3 and 4). An accurate appraisal of costs is therefore crucial to a credible application, which should be comprised of what grant funding as a minimum is necessary for the Phase 1 and/or 2 activities to proceed. Once submitted, the applied costs within an application cannot be revised down.

5.2 For a Phase 1 application, is the £290,000 maximum funding for both the feasibility study and preliminary engineering?

No. £290,000 is the cumulative total that can be allocated across feasibility study, preliminary engineering and detailed design through successful awards to both Phase 1 and Phase 2. In addition to this, all grants must be State aid compliant.

5.3 Is the maximum award £1.5 million?

The maximum award for Phase 1 feasibility study and preliminary engineering and Phase 2 detailed design is £290,000. For Phase 2 capital delivery the maximum award is £1.5 million. In addition to this, all grants must be State aid compliant.

5.4 How will IHRS funding be allocated?

Funding for successful projects will be allocated in compliance with State aid rules.

A total of up to a £18 million grant funding will be available to projects in the IHRS Programme. Of this total funding up to £6 million of funding will be available to applicants applying for funding for feasibility studies, preliminary engineering and detailed design. Up to £12 million of funding will be available to applicants for the capital delivery of projects.

It is expected that applications for funding will be made for the irreducible minimum a project requires.

5.5 Is the programme funding equally distributed between the eight assessment windows?

No, it is not equally distributed across the programme assessment windows. Section 2.3 of the IHRS Programme Guidance note provides details of the funding allocation for each window. The funding allocation profile is also available on the IHRS website.

5.6 Will applicants be notified if more funding is available in each assessment window?

Yes, applicants will be notified of the minimum funding available in advance of each assessment window.

5.7 If an applicant asks for more funding than is available, can the applicant negotiate for less funding?

Applicants cannot negotiate down for less funding after an application has been made.

5.8 In regards to partnerships/consortia, is the grant funding given to the main applicant or to the members of the partnership/consortium?

The main applicant to the IHRS Programme will be the recipient of the grant funding, this will either be the site owner or third party applying on behalf of a site owner within the eligible SIC codes. Any queries should be directed to ihrsprogramme@icf.com.

5.9 How many projects are you looking to fund within Phase 1 and Phase 2 of the Programme?

The limitation is the allocation of funding for each assessment window and not the number of projects to be funded. If a project is unsuccessful in a given assessment window, the applicant can reapply in the next assessment window.

5.10 Can an applicant be awarded £290,000 in Phase 1? If an applicant exits the Programme at Checkpoint 2, can awarded funding in Phase 1 be applied to detailed design?

£290,000 is the maximum amount that can be *cumulatively* allocated across feasibility study, preliminary engineering and detailed design. Funding for detailed design in Phase 2 will not be awarded at the same time as for feasibility study and preliminary engineering in Phase 1.

We strongly advise applicants to refer to the Programme Guidance Note for further details.

5.11 In the event of a tie-break, how will you decide the successful project?

Should two projects be tied following the initial assessment, and there is only sufficient funding in the remaining pot for one of the two projects, a diversity prioritisation exercise will take place. As the Programme progresses, the diversity prioritisation tiebreaker will take in to account projects funded in earlier assessment windows.

Diversity prioritisation will be undertaken using the following 2 criteria, in the order noted below:

1. Sector: The aim is to fund a mix of sectors.
2. Technology: The aim is to fund a mix of technologies.

5.12 What should I consider in ensuring I comply with State aid rules?

To ensure the programme is State aid compliant, grant funding allocations will be subject to the terms of the General Block Exemption Regulation (GBER).

Applicants cannot combine funding of the IHRS with other forms of State aid received for a discrete heat recovery project (i.e. for the same eligible costs) if this would result in the aid intensity and aid amount permitted by the GBER being exceeded.

Failure to comply with State aid law can lead to the recovery of any funds granted under this scheme. Further guidance can be found here: https://www.gov.uk/guidance/state-aid.

Applicants may wish to seek 3rd party legal counsel to ensure compliance.

5.13 If the Programme funding of £18 million runs out in three years, will there be any additional funding in future?

The data, learning and case studies from funded projects is important to give a sense for the direction of future policy and any potential similar programmes Government could consider going forward. The Programme will be evaluated at the end of the three years, and beyond the end of the Programme, to determine its success, impact and any potential future needs. If the impact of the Programme is significant, then it is possible that a similar Programme could be considered in the future. In order to do this, applicant support is necessary as part of the evaluation process at each Programme exit point.

5.14 Are the minimum amounts in future assessment windows (as stated in the funding availability table on the website) the maximum amount of grant funding that would be available?

Yes, this is correct at this stage. However, we are rolling any funding allocations not awarded in previous windows to future assessment windows. Whilst this cannot be guaranteed at this point, this may provide larger funding than currently forecast in the later assessment windows.

The size of funding available in each assessment windows will be updated and clearly communicated. The earlier assessment windows have been prioritised with regards to funding allocation, as all projects' operation start up must be completed by March 2022. Applicants are therefore encouraged to apply as early as possible.

5.15 Is the Phase 2 funding released in tranches?

Yes, the Phase 2 payment milestones are aligned with the project implementation stages. Section 2.3 of the IHRS Programme Guidance Note provides details of the funding allocation for each window.

6 Other

6.1 Will EU Exit affect my application?

Availability of Programme funding will not be impacted by EU exit. BEIS will maintain the funding caps (both max cap and percentage of total project) stated above, after the UK leaves the EU.

6.2 Why are you only accepting technologies at Technology Readiness Level 9?

The IHRS is a deployment focussed Programme and by supporting technologies that have a Technological Readiness Level (TRL) of 9 it will provide a greater chance of success for a heat recovery project. There are other government programmes such as the 'Industrial Energy Efficiency Accelerator' that target technologies of lower TRLs.

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