



Department for
Communities and
Local Government



European Union
European Regional
Development Fund

2014 to 2020 European Structural and Investment Funds Growth Programme

Call for Proposals European Regional Development Fund

Priority Axis 4: Supporting the Shift Towards a Low Carbon Economy in All Sectors

Managing Authority:	Department for Communities and Local Government
Fund:	European Regional Development Fund
Priority Axis:	Priority Axis 4: Supporting the Shift Towards a Low Carbon Economy in All Sectors
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1. Call Context

The 2014 to 2020 European Structural and Investment Funds bring the European Regional Development Fund, European Social Fund and part of the European Agricultural Fund for Rural Development together into a single European Union Structural and Investment Funds Growth Programme for England supporting the key growth priorities of innovation, research and development, support for small and medium enterprises, low carbon, skills, employment, and social inclusion.

The Funds are managed by the Department for Communities and Local Government for European Regional Development Fund, Department for Work and Pensions for European Social Fund and the Department for Environment Food and Rural Affairs for European Agricultural Fund for Rural Development. In London, the Greater London Authority acts as an Intermediate Body for the European Regional Development Fund and European Social Fund programmes. Unless stated otherwise, the term “Managing Authority” will apply to all these organisations. The Managing Authorities work closely with local partners who provide:

- Practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets;
- Local intelligence to the Managing Authorities in the development of project calls (decided by the Managing Authorities) that reflect Operational Programme and local development needs as well as match funding opportunities;
- Advice on local economic growth conditions and opportunities within the context of Operational Programmes and the local European Structural and Investment Funds Strategy to aid the Managing Authority’s assessments at outline and full application stage.

This call is issued by the Department for Communities and Local Government and invites outline applications in respect of the European Regional Development Fund. European Regional Development Fund is specifically focussed on investment to support economic growth and job creation. The call invites proposals in respect of Priority Axis 4 of the European Regional Development Fund Operational Programme; Supporting the Shift Towards a Low Carbon Economy in All Sectors against the requirements set out in this call document.

1.1 National Context

The primary aim of Priority Axis 4 is to support the action to move England’s economy towards a low carbon model by reducing levels of greenhouse gas emissions, increasing the share of renewable energy, and enhancing the energy efficiency of homes, businesses and transport.

There are differences across England in terms of progress towards this, for example levels of carbon emissions reflect industrial activity and transport use and are

highest in the South East and North-West and lowest in the North-East, South West and East Midlands.

Whilst the position is not the same in all areas, the key development needs and opportunities that will be prioritised for European Regional Development Fund are shared across all categories of region: market opportunities in the low carbon goods sector, the need to develop holistic whole-place carbon reduction plans, localised renewable energy/micro generation and scope to develop products and services to improve energy efficiency in domestic and non-domestic buildings and within small and medium enterprises apply across all territories.

The interaction between national strategies, such as the Renewable Energy Roadmap, and local European Structural and Investment Funds strategies that draw on knowledge of local conditions and opportunities will ensure that European Regional Development Fund is targeted at specific challenges and potential across different territories at the most appropriate spatial level.

The Operational Programme identifies five Investment Priorities:

- Investment Priority 4a – Promoting the production and distribution of energy derived from renewable sources;
- Investment Priority 4b - Promoting energy efficiency and renewable energy use in enterprises;
- Investment Priority 4c - Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;
- Investment Priority 4e - Promoting low carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; and
- Investment Priority 4f - Promoting research and innovation in, and adoption of, low carbon technologies.

Investment Priority 4a - *Promoting the production and distribution of energy derived from renewable sources. **Specific objective:** to increase the number of small scale renewable energy schemes in England.*

The UK has the ninth lowest share amongst European Union countries of low carbon energy in 2011 with the UK's share of supply being around half that of the European Union average of 26 per cent The European Union 2020 target is to raise the share of European Union energy consumption produced from renewable resources to 20 per cent and in the UK to 15%.

There are limits to the impact that the European Regional Development Fund can make to national renewable energy obligation which will be significantly met through alternative public/private sector investment in renewable energy infrastructure. The European Regional Development Fund is best targeted at approaches which stimulate micro-energy installations, off-grid energy productions, renewable heat

networks and ground source and air source heat pumps in order to address deficits in specific territories as well as development opportunities in places and sectors. However, there is also scope for activity within whole place low carbon plans. Furthermore, support from European Regional Development Fund can build supply chains or provide small-scale infrastructure necessary to unlock bigger renewable energy projects.

Investment Priority 4b - *Promoting energy efficiency and renewable energy use in enterprises. **Specific objective:** increase energy efficiency in particular in small and medium enterprises, including through the implementation of low carbon technologies.*

Energy intensity (energy use per unit of value added) has declined by 31.8 per cent between 1997 and 2011. If however UK emissions targets are to be met energy efficiency will need to increase across all sectors. There is a potential for growth in this area to increase non-domestic energy efficiency in England, especially in promoting socially cost-effective investment in energy efficiency, where there is the potential to save 196 TWh in 2020, equivalent to 22 power stations. If this was realised, final energy consumption in 2020 would be 11% lower than current levels.

Generally, companies lack consistent and effective energy efficiency plans and understanding of appropriate measures and energy savings. Small and medium enterprises are particularly adversely affected in this respect and are either unaware of resource efficiency technologies or business processes or lack the know-how about approaches to adopt and embed new methods.

This presents an opportunity to use the European Regional Development Fund to support improvements in the energy efficiency of companies, including the buildings they use.

Investment Priority 4c - *Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector. **Specific objective:** Increase energy efficiency in homes and public buildings, including through the implementation of low carbon technologies.*

There is a potential for growth in this area to increase energy efficiency in households in England, especially in growing household investment in heat saving measures.

According to the English Housing Survey in 2012, 34% of dwellings had 200mm or more of loft insulation, up from just 3% of dwellings in 1996. Over the same period, the proportion of homes with cavity wall insulation increased from 14% to 40% and the proportion of homes with full double glazing increased from 30% to 79%. A range of measures to improve these kinds of conventional domestic insulation are in place, through national initiatives. Where European Regional Development Fund can make a particular difference is in innovation-based technologies, and demonstrator activities to develop radical, ultra efficient energy efficiency. These

will also stimulate economic growth in business activity, particularly through small and medium enterprises supply chains.

Investment Priority 4e - *Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures.* **Specific objective:** *Increase implementation of whole place low carbon solutions and decentralised energy measures.*

This Investment Priority and specific objective recognises that the implementation of low carbon solutions leading to reductions in greenhouse gas emissions is best done holistically as part of integrated strategies. The Investment Priority specifically refers to sustainable multimodal urban mobility but the approach is equally applicable to low carbon transport plans in other types of territory. But transport cannot be looked at in isolation. Urban design, distributed energy, smart grids and other activity also need to be considered within a single, coordinated approach within a specific territory.

Activity under this Investment Priority is based on a holistic approach to the reduction of greenhouse emissions, ensuring that actions are integrated within the framework of an overarching strategy or strategies. This includes the development of “whole place” low carbon initiatives through approaches such as smart cities and communities that include low carbon transport infrastructure, energy efficiency, low carbon energy supply and smart meter/smart grid programmes and related ICT platforms, technologies and applications. Where the purpose is to reduce whole place energy requirements or carbon emissions, green and blue infrastructure and other climate change mitigation or adaptation activities are important components.

The Investment Priority requires a low carbon strategy within which actions can be framed. A key implementation step will be the development of such strategies if they do not already exist. The strategy should set a benchmark for greenhouse gas emissions against 2012 data for the local authority areas covered by it. The strategy will be required to show a reduction by the end of the programming period.

Investment Priority 4f - *Promoting research and innovation in, and adoption of, low-carbon technologies.* **Specific objective:** *Increase innovation in, and adoption of, low carbon technologies.*

The United Kingdom and England are currently making good progress in tackling the level of greenhouse gases, and against the Europe 2020 targets.

The Climate Change Act has established a legally binding target to reduce the UK's greenhouse gas emissions by at least 80 per cent below base year levels by 2050. Greenhouse gas emissions in England are currently [28% lower than in 1990](#).

Large scale investments will play an important role in the obligation to develop further renewable energy capacity to assist in meeting the UK greenhouse gas emissions target. However, to meet the challenging targets, there is also need for a lot of small scale investments, particularly in heat and certainly in transport. Therefore the focus of the European Regional Development Fund will be on small scale projects with a low carbon innovation bias.

The focus will be on low carbon technologies and small and medium enterprises who develop and commercialise them, increasing the number of firms in low carbon sectors who are innovation active.

1.2 Local Development Need

This call will focus on Investment Priority 4b.

1.3 Scope of Activity

This call responds to the needs as defined in the European Regional Development Fund England Operational Programme and the Worcestershire Local Enterprise Partnership area's European Structural and Investment Funds Strategy under PA4, **Investment Priority 4.**

This call is confined to the following Investment Priority:

1.3.1 Investment Priority 4b - Promoting energy efficiency and renewable energy use in enterprises. *Specific objective: increase energy efficiency in particular in small and medium enterprises, including through the implementation of low carbon technologies.*

The main target group is small and medium enterprises. Under this Investment Priority indicative actions to be supported by European Regional Development Fund may include:

- Enhanced advice, support, information and action to promote innovation in businesses and how they operate, in order to deliver best practice in energy management. This will include innovation in energy efficiency and energy cost reduction to improve businesses' competitiveness and resilience;
- Support to businesses to undertake 'green' diagnostics or audits of energy efficiency and potential for renewable generation and energy use, which will be followed by provision of energy efficiency information and guidance, tailored energy action plans and of support to implement them;
- Investing in energy efficiency measures, processes and renewable generation capacity to improve a business' or building's environmental performance or its resilience to the impacts of climate change;
- Investing in measures to stimulate cost-effective deep renovations of buildings, including staged deep renovations;
- Supporting an increase in energy efficiency in enterprises including an emphasis on 'whole place' especially through improving industrial processes,

designing out waste, recovery of 'waste' heat energy and Combined Heating & Power;

- Supporting increased SME access to national and local government procured contracts for energy efficient goods and services;
- Developing low carbon innovation in relation to energy efficiency within enterprises, including through technologies and engagement practices; and
- Building retrofit and energy efficiency measures, especially whole building solutions to exemplify, and support the commercialisation of, next phase technologies which are near to market and low carbon construction techniques to improve the energy efficiency of buildings.

Local Context:

Worcestershire benefits from an attractive natural environment, however, in the longer term this high quality natural environment may be threatened by increasing carbon emissions and sub-optimal energy efficiency.

High and fluctuating energy costs continue to seriously affect small and medium enterprises' profitability and in some cases their viability. Carbon Trust data shows that many small and medium enterprises are wasting as much as 30% of their energy and that a 20% reduction in energy bills is achievable for most businesses. Despite this compelling business case for investing in energy efficient or low carbon technology, there are a number of major barriers which means that organisations either delay or do not implement projects that would help to reduce bills, cut carbon and provide a rapid return on investment. These barriers tend to fall into one of three categories: lack of awareness, lack of confidence and lack of funds. Public funding and support is therefore needed to overcome such barriers and market failures.

Energy efficiency measures are closely linked, and complementary, to the ambition of creating a low carbon economy. Indeed, achieving greater energy efficiency, which also tends to have most benefit on a local level for businesses and households, means that alternative and low carbon energy systems can be introduced at the levels that are genuinely required, which makes the chance of success greater and reduces the capital expenditure required to deploy them.

Therefore this call aims to address these shortfalls and is seeking applications which will address resource efficiency through promoting energy efficiency and renewable energy use in small and medium enterprises.

2. Call Requirements

All Applications are competitive.

- An *indicative* budget of £800,000 has been allocated to this call. This is intended as a guide and may be reviewed;

- Proposals should only contain activities which are eligible for European Regional Development Fund;
- Proposals should be for a minimum of £500,000 European Regional Development Fund;
- Applicants will need to have eligible match funding for the balance of costs which must be from a source other than the European Union;
- Operations should be capable of providing coverage of the whole or part of the Worcestershire Local Enterprise Partnership area;
- All procurement must demonstrate compliance with European Union regulations;
- Applicants must demonstrate compliance with State Aid law; and
- All expenditure and activities will be subject to rigorous audit and non-compliance may lead to financial penalty.

European Regional Development Fund cannot be used to duplicate existing activities or activities that do not address market failure. European Regional Development Fund can only be used to achieve additional activity or bring forward activity more quickly. Applicants must be able to demonstrate that what they are proposing is additional to what would have occurred anyway or enables activity to be brought forward and delivered quicker than otherwise would be the case.

3. Required Deliverables

Operations will be expected to achieve the following Programme Deliverables: The definitions can be accessed at [European Regional Development Fund Operational Programme](#).

Investment Priority 4b

ID	Indicator
C1	Number of enterprises receiving support
C34	Estimated greenhouse gas reductions

Applicants will need to be able to demonstrate how they will achieve the deliverables, committed to within their proposal along with any methodology used to record it. Applicants will also need to ensure robust systems are in place, and be able to describe them, to capture and record the targets and to report qualitative and quantitative performance across the Local Enterprise Partnership area of Worcestershire. All operations will be required to collect data and report progress against the deliverables with each claim. Where an operation underperforms against their deliverables they may be subject to a performance penalty.

There must be a fully evidenced audit trail for all contracted deliverables.

4. General Information

Essential information to support the drafting of an application and delivery of a successful European Regional Development Fund funded project is available at the [European Growth Funding](#) website pages.

1. Compliance and Eligibility

When developing an application, Applicants should refer to [guidance](#) on eligible Applicants, activities and costs. These are for guidance only and Applicants should take their own specialist advice if in doubt. It is the responsibility of the Applicant to ensure that the rules and guidance are adhered to both at application stage and following approval.

European Structural and Investment Funds are governed by European regulations and national rules. Applicants are advised to familiarise themselves with the relevant documentation listed in the 'key documents' section prior to submitting an Outline application. If successful, Applicants will enter into the standard Funding Agreement and must abide by the standard terms and conditions contained therein. Applicants are therefore strongly advised to read these terms and conditions to ensure that they would be able to enter into such an agreement prior to responding to the call. Once a Funding Agreement has been issued it should be signed and returned within a short timescale.

2. Intervention Rate & Match Funding

European Regional Development Fund is the funding which is used where no other funding can be obtained (the funder of last resort). The maximum European Regional Development Fund contribution rate for the operation is 50%. This means European Regional Development Fund can contribute **up to** 50% of the total eligible project costs subject to State Aid regulations. The level of European Regional Development Fund awarded will be the minimum in order for the project to proceed. The remaining 50% or more must come from other eligible sources.

European Regional Development Fund is not paid in advance and expenditure must be defrayed prior to the submission of any claims. Applicants may be asked to demonstrate how they are able to cash flow the operation.

3. Applicants

Applicants must be legally constituted at the point of signing a Funding Agreement, and be able to enter into a legally binding Funding Agreement. The Applicant will be the organisation that, if the application is successful, enters into a contract for European Regional Development Fund and therefore carries the liability for ensuring that the terms of the European Regional Development Fund Funding Agreement are met by them and to all delivery partners. If there is more than one organisation

applying for the funds, a lead organisation must be selected to become the Applicant. It is this organisation that carries the responsibility and liability for carrying out a compliant project.

The Managing Authority will consider the Applicant's track record, both positive and negative. If the Applicant has been involved in the delivery of previous European grants and any irregularities with this (these) grant(s) have been identified, the Managing Authority will look into these and expect to see how and what steps have been taken to ensure that these have been addressed to mitigate the risk of further irregularities in the future. It is acknowledged that some organisations will be new to European Structural and Investment Funds funding and will not have a track record.

4. Cross Cutting Themes/Horizontal Principles

All applications received under this call should demonstrate how the Cross Cutting Themes have been addressed in the project design and development. Cross cutting themes for European Regional Development Fund are 'equality and anti-discrimination' and 'sustainable development'. Further information is available in the [European Regional Development Fund Operational Programme](#).

5. State Aid & Revenue Generation

Applicants are required, in the Outline Application, to provide a view on how their proposal complies with State Aid law. Applicants must ensure that projects comply with the law on State Aid.¹ Grant funding to any economic undertaking which is State Aid can only be awarded if it is compatible aid, in that it complies with the terms of a notified scheme or is covered by the De Minimis Regulation. Guidance for grant recipients, explaining more about State Aid, is available; it is important that Applicants take responsibility for understanding the importance of the state aid rules and securing their full compliance with them throughout the project, if it is selected into the Programme.

The Managing Authority is not able to give legal advice on State Aid. It is the responsibility of the Applicant to ensure that the operation is State Aid compliant.

Where the Applicant does not perceive that there is any State Aid, it should state whether or not it considers Articles 61 and 65(8) of regulation 1303/2013 to apply. This revenue should be taken into account in calculating eligible expenditure. Article 61 refers to monitoring revenues generated after completion of the project, and Article 65(8) how to deal with differences in the forecast and actual revenues at the end of the operation. The details of this will be tested at the full application stage.

6. Funding Agreement

¹ Article 107(1) of the Treaty on the Functioning of the European Union provides that: "Save as otherwise provided in the Treaties, any aid granted by a Member State or through state resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market."

The Funding Agreement is a standard, non-negotiable and legally binding document. Any successful Applicant will be subject to the terms and conditions contained within this agreement. Applicants are strongly advised to seek their own advice to ensure that they would be able to enter into and abide by the terms of the Funding Agreement.

Failure to meet any of the conditions of the agreement or the commitments within the application will result in claw back of funding.

Applicants should be aware that additional provisions and securities may be included within the Funding Agreement to protect the investment. These will be further discussed if relevant following the Full Application stage.

7. Procurement

All costs delivered by the Grant Recipient (the Applicant) and/or delivery partners must be delivered on an actual cost basis. Other costs must be procured in line with European Union regulations. The most common error identified during audit has been failure to comply with relevant procurement regulations and crucially to maintain a full audit trail to prove that they have complied with the relevant regulation. Robust and transparent procurement is required to ensure that Grant Recipients:

- Consider value for money;
- Maximise efficient use of public money; and
- Maintain competitiveness and fairness across the European Union.

It is recommended that Applicants seek their own legal advice pertaining to their procurement and requirements to publicise any tendering opportunities.

The Managing Authority is not able to give legal advice on procurement. It is the responsibility of the Applicant to ensure the project is compliant in this respect.

5. Application Process & Prioritisation Methodology

There are two stages to the European Regional Development Fund application process; Outline Application and if successful, Full Application. Applicants must fully complete the Outline Application via LOGASnet (section 9 refers). Guidance is available on the [European Growth Funding](#) website pages. Applications will be subject to a Gateway Assessment undertaken by the Managing Authority under the following criteria:

- Applicant eligibility;
- Activity and expenditure eligibility; and
- The fit with the European Regional Development Fund Operational Programme and the call.

Proposals that pass the Gateway Assessment will move into the Core Assessment which consists of the following:

- Strategic fit;
- Value for money;
- Management & control;
- Deliverability;
- Procurement / tendering; and
- State Aid compliance.

The Managing Authority will seek advice from partners when considering applications to ensure its assessment is informed by local economic growth conditions and opportunities within the context of Operational Programmes and the local European Structural and Investment Funds Strategy. This will include the relevant Local Enterprise Partnership Area European Structural and Investment Funds Committee and other partners deemed relevant to the application.

The assessment and any prioritisation will be undertaken using only the information supplied as part of the application process. The Managing Authority cannot accept further detail outside this process.

Non-public sector Applicants who are successful at the Outline Application stage may be subject to due financial diligence checks by the Managing Authority, prior to submission of a Full Application. Applicants will be required to submit accounts, and to clarify financial or other organisational information. New Applicant organisations may be required to provide details of a guarantor.

6. Support

Please note that this is a competitive call and to preserve impartiality we are unable to enter into correspondence with applicants over their Outline application. Details of where guidance can be found are contained throughout this calls document. In exceptional circumstances, if there are issues with accessing this guidance, please contact: WM.ERDFenquiries@communities.gsi.gov.uk

7. Key Documents

- Outline Application Form;
- Outline Application Form Guidance;
- Local Enterprise Partnership area's European Structural and Investment Funds Strategy;
- Eligibility Guidance; and

- Target Definitions.

8. Document Checklist

Failure to provide the following documentation will result in the application being rejected

Outline Stage:

- Fully completed Outline Application;
- Financial Tables;
- Outputs, Results and Indicators Tables; and
- Three years financial accounts (if private or voluntary and community sector).

9. Document Submission

Completed Outline Applications must be submitted via the [LOGASnet system](#).

Please note that Applicants will require a user ID and password in order to access the LOGASnet system. Details on how to register on the system can be found on the GOV.UK website [European Growth Funding](#) website pages. Please allow up to 10 days to receive your login details.

10. Timescales

Launch of Call advertised on gov.uk.	20 th March 2015
Deadline for submission of Outline Application	20 th May 2015

Outline Application forms not received by the deadline will not be assessed. Outline Applications which are not fully completed will be excluded.

For this call applications will normally be required to **commence delivery/activity within three months** of the award of contract.

Any changes related to the deadline for the submission of the Outline Application form will be notified on the [European Growth Funding](#) website pages.

11. Formal Agreement of the European Regional Development Fund Operational Programme

The information and references in the call are based on the latest version of the [European Regional Development Fund Operational Programme](#) and are correct at the time of publishing. The Operational Programme may be subject to further amendment during its final negotiations with the European Commission, and subsequent calls will reflect any changes, to the extent that they may affect the terms of calls, that are made. In relation to the present call, the Managing Authority will take the possibility of relevant changes to the Programme into account when assessing outline and full applications, and where such changes occur will notify Applicants of any issues that arise, and propose a method of dealing with them.