



Department
of Energy &
Climate Change

Technology Strategy Board

Driving Innovation

eurogia⁺

Guidance Notes for EUROGIA-UK Funding Applications 2013

In support of UK involvement in international
collaborative low carbon innovation

10 July 2013



EUROGIA-UK Funding Application Guidance Notes

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1 Introduction and key organisations

The Department of Energy and Climate Change (DECC), in collaboration with EUROGIA+ and the Technology Strategy Board, is launching a new funding mechanism, Eurogia-UK, to encourage UK companies to participate in transnational collaborations to develop innovative industrial RD&D projects for low carbon energy technologies.

DECC will consider funding applications from collaborative projects receiving the Eurogia+ quality label on a rolling basis as of September 2013; consortium partners from other EUREKA countries will be eligible for funding in their own countries within the usual EUREKA/Eurogia+ framework.

1.1 The Strategic Energy Technology (SET) Plan

As part of its efforts to tackle climate change, the EU has set itself a series of ambitious goals to drastically cut its greenhouse gas emissions over the next few decades.

- The EU is committed to reducing its greenhouse gas emissions by 20% by 2020.
- By 2050, it intends to slash its greenhouse gas emissions by 60% to 80% with respect to 1990 emissions levels.

Revolutionary new energy technologies have a pivotal role to play in ensuring Europe meets these targets. The EU's Strategic Energy Technology Plan (SET-Plan)¹ sets out a long-term energy research, demonstration and innovation agenda for Europe to guide the research and development of new energy technologies and promote their uptake by the market. The SET plan defines the umbrella under which Eurogia-UK will consider applications for funding.

1.2 EUROGIA+

EUROGIA+ is a bottom-up, industry driven, market oriented programme which addresses all areas of the energy mix, from renewable energy to efficiency, and reduction of carbon footprint of fossil fuels.² It facilitates quality trans-national collaborative RD&D projects through the granting of the E⁺ label and liaising closely with the public authorities of supporting countries.

- Its purpose is to facilitate the deployment of new technologies and support the development of highly innovative new technical solutions.
- EUROGIA+ is one of the EUREKA³ cluster projects, each involving many large and small European companies seeking to strengthen European competitiveness in key technology areas.

¹ http://ec.europa.eu/energy/technology/set_plan/set_plan_en.htm

² <http://www.eurogia.com/>

³ Founded in 1985, EUREKA is a Europe-wide network for market-oriented industrial R&D and innovation, supported by 40 member states and the European Union.

- EUROGIA+ promotes cooperation and coordination among European companies to accelerate development of low carbon energy technologies.
- EUROGIA+ is complementary to existing European and national programmes and offers the route to fast market growth through European co-operation.

Eurogia-UK is a funding mechanism to supports UK involvement in EUROGIA+. UK participants in projects that have secured the E⁺ quality label are able to apply for funding of UK activity within the project via Eurogia-UK. Applications for the E⁺ label are submitted directly to the EUROGIA+ secretariat, more information can be found on their website.⁴

1.3 The Department of Energy and Climate Change

The Department of Energy and Climate Change (DECC) leads the UK Government's efforts to counter the risks of dangerous climate change, and of a shortfall in the supply of safe, affordable energy. DECC's vision for 2050 is for the UK to have made a safe and secure transition to low-carbon electricity, low-carbon homes and buildings, and low-carbon transport and industry, all at lowest economic cost.

DECC realises that the vision to 2050 will be incredibly difficult to realise in isolation and there is great benefit in international collaboration to tackle challenges that are almost universal. International cooperation allows everyone to leverage a bigger pool of innovative ideas and allows UK companies to benefit through access to a broader pool of knowledge, information and skills. Eurogia-UK is one of a variety of funds and mechanisms DECC employs to support UK participation in international collaboration.

Technology innovation reduces the cost of commercial deployment, making it more cost effective for business to invest in our energy infrastructure and ensure security of supply. Investment in innovation can grow UK companies, and encourages others to locate their supply chains in the UK.

The Science and Innovation Group (SIG) within DECC works across government, business and the research community to remove barriers to innovation and invest in the development of new technology-based products and services to address 2020 and 2050 targets and security of supply. The overall approach to Science and Innovation within DECC can be found in 'The DECC Science and Innovation Strategy 2012'.⁵ This and further information can be found at the gov.uk innovation website.⁶

⁴ <http://www.eurogia.com/>

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48335/5107-decc-science-innovation-strategy-2012.pdf

⁶ <https://www.gov.uk/government/topics/science-and-innovation>

1.4 The Technology Strategy Board

The Technology Strategy Board (TSB) is the UK's innovation agency. With the role to stimulate innovation, working with business and other partners, in to accelerate economic growth.

The TSB recognises that many of the greatest business opportunities will be international and that successful UK companies have to take into account the global picture. Increasingly global trends and technical developments affect the competitiveness of UK businesses. New and rapidly developing economies are both a threat to the UK economy, and a huge market opportunity. The most successful UK businesses and innovations are those with a global, rather than a local market.

Among other activities, the TSB manages UK involvement in the EUREKA Eurostars programme, the first European funding and support programme to be specifically dedicated to SMEs.⁷ This programme supports UK SMEs to participate in pan European collaborative R&D projects for new innovative products, services and processes. The TSB brings its expertise in the management of UK involvement in EUREKA programmes to support Eurogia-UK.

2 Overview of Eurogia-UK

Eurogia-UK is the funding mechanism that supports UK involvement in EUROGIA+. UK participants in projects that have secured the E⁺ quality label are able to apply for funding of UK activity within the project via Eurogia-UK. The mechanism is jointly administered by the Department of Energy and Climate Change (DECC) and the Technology Strategy Board (TSB).

During the funding application process, Eurogia-UK will assess the UK participation within the project. Applicants will be expected to demonstrate a robust evidence based case for funding, that will include but not be limited to:

- the potential impact on the cost of technologies critical to achieving 2020 and/or 2050 low carbon targets or security of supply
- the size and nature of the business opportunity for the UK
- value for money and affordability

For the purposes of this scheme, there are two categories to define development and demonstration projects: Industrial Research and Experimental Development (as described in sections 4.3 and 4.4). The funding levels under each definition will vary according to conditions as set out in section 5. Only capital grant funding is available and as such the grant may only be spent on expenses consistent with that definition (see section 11 for further details).

⁷ <https://www.innovateuk.org/-/international-programmes>

3 Application and Assessment Process

The application process for a EUROGIA+ project is a three-stage submission and evaluation procedure.⁸ The first stage will be to complete and submit a Project Outline (max 15 pages).⁹ The project coordinator is then invited to present it through an oral presentation in front of the EUROGIA+ Technical Committee. In the second stage successful applicants will be invited to complete and submit a Full Project Proposal. Following the evaluation, upon recommendation from the Technical Committee, the EUROGIA+ Board will decide whether to label the project. With this label, project participants can apply for funding in their respective countries (Stage 3). Coordination with the relevant national bodies is usually initiated by EUROGIA+ immediately after the Project Outline.

STAGE 1: Project outline submitted to EUROGIA+ Secretariat

Project Outline (PO) maximum of 15 pages.⁸ Project coordinator is invited to present to EUROGIA+ Technical Committee, through a 20 minutes oral presentation followed by 20 minutes questioning. If successful, EUROGIA+ forwards details of application and assessment to Eurogia-UK. Applicants receive feedback from the Technical Committee and Eurogia-UK and are notified if they are clear to progress to Stage 2.⁹



STAGE 2: Full project proposal submitted to EUROGIA+ Secretariat

Successful applicants are invited to fill and submit a Full Project Proposal.⁸ Following evaluation, the Technical Committee will give its recommendations to the Eurogia+ Board, who in turn will decide whether to label the project. With this label, project participants can apply for funding in their respective countries.



STAGE 3: Submission of supplementary documents to Eurogia-UK

Projects successful in obtaining the EUROGIA+ label are eligible to apply to Eurogia-UK for funding. EUROGIA+ forwards details of application and assessment to Eurogia-UK. UK participants within the project submit UK-specific supplementary information (max 10 pages) for assessment. EUROGIA+ liaises with all relevant national funding authorities. If all project participants are successful in securing funding the project can begin.

⁸ <http://www.eurogia.com/submitting/criteria.html>

⁹ Note that positive feedback from Eurogia-UK at the completion of Stage 1 does not constitute a commitment to fund the project. Applicants should not rely solely on DECC's Stage 1 feedback in deciding to continue with the application process, and must undertake any further applications entirely at their own risk.

The typical call cycle is as follows:

Call Open	T0
PO submission cut-off date	T0 + 8 weeks
PO presentation + evaluation	T0 + 10 weeks
FPP submission	T0 + 20 weeks
FPP evaluation and Board approval	T0 + 22 weeks
Decision on Eurogia-UK funding	T0 + 26 to 28 weeks

EUROGIA+ is an open call with 4 cut-off dates per year, which occur prior to a sitting of the EUROGIA+ Technical Committee. The remaining 2013 cut-off dates are:

Project Submission Deadline: September 13, 2013

Evaluation Meeting: October 3, 2013

Project Submission Deadline: November 15, 2013

Evaluation Meeting: December 9, 2013

4 Eligibility for funding

4.1 EUROGIA+ label eligibility

Projects' participants must be organisations from the EUREKA member and associated countries. As a consortium of partners, they submit a project proposal to Eurogia+ for technical evaluation.

General Rules:

- The consortium must comprise at least two industrial companies -Large, Small or Medium sized enterprises- from two different EUREKA member countries. The active participation of research institutes or universities is strongly encouraged, but not made mandatory.
- Eurogia+ projects must clearly show technical innovation in the future product/process or service (either through using new devices or in the utilization of existing devices in a new application).
- The project must have a strong market and exploitation orientation.
- The contribution from any given country must not exceed 66% of the total budget. In parallel, the contribution from any one partner (affiliated organisations count as one partner) must not exceed 66% of the total budget either.

4.2 Eurogia-UK funding eligibility

UK Industrial partners [Large companies and SMEs] are eligible for funding for projects successful in the Eurogia+ technical evaluation, via an application to Eurogia-UK, a mechanism jointly administered by Department of Energy and Climate Change (DECC) and the Technology Strategy Board (TSB). UK research

organisations, universities and academics are welcome to participate in projects but must self-fund, secure funding from other sources prior to application, or participate as subcontractors to an eligible project participant.

- **Company eligibility:** Companies of any size are eligible to seek funding. Applications from SMEs, as defined by the EU¹⁰, are particularly encouraged.
 - All UK participants must be separate legal entities.
 - Companies must have been trading for at least 12 months, VAT registered and registered at Companies House.
- **Project eligibility:** Applicants must be participants in a successfully labelled Eurogia+ project.
 - Projects must fall within the EU General Block Exemption regulation definitions of industrial research and/or experimental development (as described in sections 4.3 and 4.4) and be eligible under Article 35 (Young Innovative Enterprises) or Article 31 (R&D)¹¹ (as described in section 5)
- **Grant size:** Total grant limit is between £250,000 and £1,000,000 for UK partners in any single project.¹² No single company can receive more than £1,000,000 from the UK call budget. If applying as a Young Innovative Enterprise under Article 35, the maximum is €1,000,000, which currently is converted to a maximum of £800,000 for Eurogia-UK. Since DECC is seeking to maximise the impact of government funding, projects seeking public funding levels and funding intensities that are lower than the applicable maximum are likely to be marked higher in the appraisal process.
 - Claims under the UK grant must be for project costs incurred in the UK. UK Funding cannot cross borders, except for via subcontracting.
 - All claims for UK grants must be for Capital expenditure.^{Error! Bookmark not defined.} Match funding, however may be consistent with the broader eligible cost criteria (see section 11).
- **Subcontracting:** Subcontracting by UK partners is limited to 20% of the UK partner grant. UK research organisations, universities and academics can participate as subcontractors.
 - Projects led by a UK company must be managed by the lead partner; project management that involves leading the consortia cannot be subcontracted.

¹⁰ http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

¹¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

¹² If seeking funding for projects less than £250,000 applicants are directed toward the EUREKA Eurostars programme: <https://www.innovateuk.org/-/international-programmes>

- **Project Duration:** No project costs incurred after **31st March 2016** will be eligible. Participants are free to engage with EUROGIA+ projects beyond this date if they self-fund or secure funding from elsewhere. However, a suitable milestone must be in place pre-31st March 2016 for Eurogia-UK to use as the end-point of eligible funding.
- **Funding Intensity:** The funding levels applied for must be consistent with the appropriate Block Exemption aid intensity levels (see section 5), including consideration of the cumulative effect of other forms of state aid, and costs must be consistent with the eligible cost criteria (see section 11).
- **Match funding:** Given the aid intensity rules, applicants will need to have private funding in place to cover the balance of the eligible costs. Such funding may come from a company's own resources or external private sector investors, but may not include funding attributable to any public authority or EU institution.
 - Companies have to provide evidence they have the resources and finances to undertake the project.
- **Exploitation:** The project results have to be exploitable in the Participating Countries and the EU. The full proposal shall clearly demonstrate the plan for exploitation, application and/or commercialisation of the project results.

Applications will be reviewed to identify if there are any obvious reasons for exclusion on the basis of national track record such as the participant having already received funding for the same or a very similar activity.

4.3 Definition of industrial research

Industrial research is defined as 'the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of component parts to complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes'. As a guide using TRL definitions (section 12) this mainly covers TRL3-5.

4.4 Definition of experimental development

Experimental development is defined as 'the use of existing scientific, technological, business and other relevant knowledge and skills gained from research and practical experience to produce new, altered or improved products, processes or services. As a guide using TRL definitions this mainly covers TRL6-8.

Activities undertaken may include:

- The production of drafts, drawings, plans and other documentation for new, altered or improved products, processes or services provided that they are intended for research and development purposes only.

- The development of commercially usable prototypes and pilot projects.
- The experimental production and testing of products, processes and services shall also be eligible, provided that these are not sold for use in industrial applications and providing that no commercial benefit is derived in-project.

Experimental Development shall not include the routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements.

5 Funding Levels and State Aid requirements

Since DECC is seeking to maximise the impact of government funding, projects looking for public funding intensities that are lower than the applicable maximum are likely to be marked higher in the appraisal process. Additionally RD&D activity that is invested in prior to, or post project, will be looked on favourably.

This scheme operates under two different General Block Exemption Regulation (GBER) articles for State Aid. The two articles are Article 31 '*Aid for research and development projects*' and Article 35 '*Aid for Young Innovative Enterprises*'¹³.

The size and type of funding that the project can receive will depend upon the type of applicant and which GBER Article they qualify under. These can broadly be defined as "young innovative enterprises" (as defined by the EU) and "all other applicants".

5.1 Funding for Young Innovative Enterprises

Small enterprises applying under Eurogia-UK may be eligible to be funded under Article 35. In order to be eligible the company must be:

- A small enterprise as defined by the EU¹¹
- In existence for less than 6yrs
- R&D expenses must represent at least 15% of total operating expenses in at least one of the three years preceding the date of application.

The maximum amount of funding that a company may receive under State Aid regulations may not exceed €1million. Therefore the maximum funding that can be applied for from Eurogia-UK under this category is £800,000. SMEs need to demonstrate a 10% cash match. DECC is seeking value for money from its funding and will therefore look favourably on applicants who can demonstrate a match that is greater than 10%. Contributions in kind are not considered as eligible match. All costs have to be incurred by the UK Partner and the grant is paid on these costs, with the grant deferred and paid on a quarterly basis.

¹³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

Please note: a company may receive aid under this category only once during the period in which it qualifies as a young innovative enterprise.

Companies that are successful in receiving funding and that have indicated that they are eligible for funding under this State Aid article, may additionally be asked to provide a copy of their business plan prior to the final award letter being issued.

If as a 'Small Enterprise' you are not eligible for the Young Innovative Enterprises scheme defined above (have been in existence for over 6 years, or have not spent 15% of total operating expenses in one of the last 3 years on R&D) then it is still possible to qualify for funding under the All Other Applicants scheme as detailed below.

5.2 Funding for all other applicants

The scheme is also open to:

- All SMEs
- Other private sector organisations irrespective of size

These applicant(s) to the scheme will be eligible to receive up to £1m for funding a project under Article 31¹⁴. Funding intensity depends on project type and company size. Relevant funding intensities are summarised in Table 1 below.

5.3 Maximum funding intensities for projects

The funding intensity, that can be provided for a project is summarised in the following table.

Table 1: Maximum public funding for projects

Research Category	Size of Enterprise	Maximum amount of aid towards eligible Project Costs
<i>"Young Innovative Enterprise"</i>		90%
Experimental Development - Collaborations (either Business to Business or between Business and research organisations)	Small	60%
	Medium	50%
	Large	40%
Industrial Research - Collaborations (either Business to Business or between Business and research organisations)	Small	80%
	Medium	75%
	Large	65%

¹⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

The figures represent the maximum aid intensity that the public sector can provide to support an activity. State Aid compliance is a legal requirement and the risk of non-compliance rests with the grant recipient. It is therefore crucial that you address State Aid fully within the application, as any errors at this stage may result in DECC being able only to offer a reduced level of funding. DECC is seeking value for money from its funding and proposals that demonstrate matched funding greater than the minimum requirement will be looked on favourably.

5.3.1 Public funding

When considering levels of aid intensity, public funding includes the grant and all other funding from, or which is attributable to, other government departments, UK public bodies, other Member States or the EU institutions. Such funding includes grants or other subsidies made available by those bodies or their agents or intermediaries (such as grant funded bodies).

In applying to this Scheme you must state if you are applying for, or expect to receive, any funding for your project from public authorities (in the UK or in other Member States) or the EU or its agencies. Any other public funding will be cumulated with DECC funding to ensure that the public funding limit and the aid intensity levels are not exceeded for the project.

Whilst DECC will check the information provided to try and ensure that applicants meet the requirements of State Aid, applicants should establish that they fall within the state aid rules before submitting applications. DECC requires applicants to notify them of any change to situation or circumstance during the project.

If there is a breach of State aid regulations, for whatever reason, the European Commission requires repayment of any grant received, including interest, above that which was due. In this situation applicants will be required to repay any funding received. It is also important to ensure that the total grant funding for the project from public sources (including from the European Commission) does not exceed the permitted aid intensity stated for the relevant Article.

6 Eligible Technology Areas

Eligible technologies are those listed in the SET Plan development priorities through to 2020 and 2030.¹⁵ Within this envelope the UK has recently completed an analysis of the innovation needs for each technology. These Technology Innovation Needs Assessments (TINAs) set out the areas the UK considers high priority for innovation support.¹⁶ Applicants to Eurogia-UK are strongly encouraged to clearly demonstrate how their proposal aligns with the recommendations of the relevant TINA document.

Support could be given to proposals that whilst helping achieve the 2020 and 2050 targets might demonstrate any of the following:

¹⁵ <http://setis.ec.europa.eu/technologies>

¹⁶ http://www.lowcarboninnovation.co.uk/working_together/technology_focus_areas/overview/

- Improved performance characteristics over existing technologies or products
- Novel component technologies that can be implemented in existing systems to deliver improved performance or reduced costs of the system
- Products, processes or technologies that can reduce the cost of installation or maintenance of existing systems

The scheme will not fund basic research, but will fund innovations that are Technology Readiness Level (TRL) 3 up to TRL8. TRLs provide an indication of the level of maturity of a particular technology and DECCs descriptions of the TRLs is provided in section 12.

7 Assessment Criteria

The guidance notes are designed to inform you about the types of information you should provide directly to Eurogia-UK in order for your proposal to be assessed. Please note these criteria are additional to the assessment criteria for the EUROGIA+ quality label. The EUROGIA+ Full Project Proposal and assessment by the Technical Committee will be passed to Eurogia-UK and form part of the final funding decision process.

For the avoidance of doubt, the individual questions listed under the headings below do not constitute assessment sub-criteria, but are an indication of the kinds of factors that will be taken into account in assessing each aspect of a proposal.

Each application will be expected to be marked highly in all criteria (both as part of the EUROGIA+ assessment and the Eurogia-UK assessment). An application will not be successful where it scores poorly in one area even if that project scores highly according to the other criteria.

When addressing these criteria applicants are strongly encouraged to refer to the relevant Technology Innovation Needs Assessments. The maximum length for addressing Eurogia-UK criteria is 10 pages. See section 9 for detailed guidance.

1. Impact on the cost reduction and/or security of supply (10%)

For this aspect of the proposal assessors will consider a range of questions. These will include (but not be limited to) the following:

- To what extent does the proposed project offer a potential impact on cost reduction of low-carbon energy, and therefore reduce the cost of meeting carbon reduction targets?
- How big are the relative cost, energy or CO₂ savings against existing products, processes and technologies?
- To what extent does the proposed innovation offer a potential impact on security of supply? How does this compare with existing products, processes and technologies?

2. Business opportunity for the UK (15%)

For this aspect of the proposal assessors will consider a range of questions. These will include (but not be limited to) the following:

- Is the market need compelling?
- How large is the addressable market? (niche/small/medium/large)
- Nature of the market and ease of market penetration?
- Does the route to market and business model make sense and is the exploitation plan well developed?
- To what extent will the economic benefits be captured within the UK?

3. Value for money and affordability (20%)

For this aspect of the proposal assessors will consider a range of questions. These will include (but not be limited to) the following:

- To what extent does the project provide match-funding?
- How strong is the case for added value of public funding? Has this area been identified as high priority for public support?
- To what extent will this project leverage prior, post-project, or external research, development and investment?
- To what extent is the project affordable in the context of competing projects and within the funding envelope of DECC innovation programmes?

7.1 Alignment with EUROGIA+ technical assessment

As part of the Eurogia-UK funding decision the following weighting will be applied to scores in the four criteria of the EUROGIA+ label technical assessment:

1. **Crucial Criteria:** pass/fail, minimum threshold 7 out of 10
2. **Basic Assessment:** 20%
3. **Technology & Innovation:** 30%
4. **Market & Competitiveness:** 5%

The weighting on all EUROGIA+ and Eurogia-UK criteria therefore add to 100%. For more information on the criteria of the EUROGIA+ label technical assessment see the EUROGIA+ website.¹⁷

¹⁷ <http://www.eurogia.com/submitting/criteria.html>

7.2 Notification

EUROGIA+ will liaise with Eurogia-UK regarding the progress of applications for their quality label. Once the label has been awarded, Eurogia-UK will convene a panel to assess the UK-specific parts of the project, taking into account the EUROGIA+ assessment. We aim to notify applicants within 4-6 weeks as to whether they have been successful in obtaining funding.

7.3 Feedback, re-application and right of appeal

A short summary of key feedback regarding the applications will be provided to all applicants. No additional feedback will be provided and there will be no further discussion on the application.

The feedback from the assessors is intended to be constructive. Comments are not a check list of points which must be answered or argued in a resubmitted application as the assessors may be different and it is your decision as to whether you act on the suggestions made.

7.4 Confidentiality and freedom of information

Where any request is made to DECC or the TSB under the Freedom of Information Act 2000 (“FOIA”) for the release of information relating to any project or applicant, which would otherwise be reasonably regarded as confidential information, then Eurogia-UK will notify you of the request as soon as we become aware of it. An applicant must acknowledge that any lists or schedules provided by it outlining information it deems confidential or commercially sensitive are of indicative value only and that DECC or the TSB may nevertheless be obliged to disclose information which the applicant considers confidential.

All assessors used during the assessment of applications will be subject to a confidentiality agreement.

8 Project Plans, Finances and Financial Viability

8.1 Project costs

All applicants must complete the Finance Form detailing their expected expenditure.

During the assessment of applications, the project costs that are submitted as part of the application process will be fully assessed along with the answers to the questions on the application form to ensure they are what might be reasonably expected.

The eligibility of all costs under state aid rules and the financial viability of your organisation will be checked following the decision to pre-select an applicant but before a formal offer is made. Being contacted for this information does not indicate either success or failure in the assessment process.

8.2 Financial viability checks

Eurogia-UK will undertake financial viability checks on all successful applicants. These will include looking at the latest independently audited accounts filed on the Companies House database.

Before your project starts, Eurogia-UK will ask for evidence that you have the funding mechanisms in place to manage your cash flow across the life of your project. This could include letters of credit or other such mechanisms. We do not expect you to have cash deposits to cover the entirety of your project at the start. If you do not complete your project due to cash flow problems that you could have anticipated and managed, we may request repayment of any grant already issued to you.

Eurogia-UK will not make payments in advance of need. Eurogia-UK understands, however, the difficulties which small businesses may face when cashflowing this type of project. Eurogia-UK will explore cashflow issues with the applicant as part of developing the financial and milestone profile within the Grant Offer Letter. Eurogia-UK will offer flexibility in terms of profiles and payments, within the confines of the requirements for use of public money within which it operates.

8.2.1 Grant use

Grants provided will only cover eligible costs within the meaning of Article 31(5) of the Block Exemption. Companies should note that the grant may not be used to subsidise commercial activities and that where Eurogia-UK awards a grant for the purpose of the development of commercially usable prototypes or pilot projects, any revenue generated from such commercial use will be deducted from the grant (and, where the grant has already been paid, will be required to be returned).

Capital Grants can cover costs related to the creation or purchase, net of sales, of tangible or intangible fixed assets.

Tangible fixed assets: an asset that has physical substance and is used to produce or supply goods and services.

Intangible fixed assets: scientific or technical knowledge in order to produce new or substantially improved materials; copyright; and intellectual property rights.

Development expenditure can be treated as capital where it involves the use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services; to install new processes or systems prior to the start of commercial production or commercial applications; or to improve substantially those already produced or installed.

Major items of software such as operating systems and substantial applications packages are included in capital expenditure.

In calculating eligible match funding a broader definition of costs is applied, which is outlined in section 11.

9 Appendix A – Detailed Guidance on Application to Eurogia-UK (Stage 3)

Please submit a **maximum 10 page** document addressing the three UK-specific additional selection criteria. As part of the Stage 3 application this document is submitted to innovation@decc.gsi.gov.uk

Applications to Eurogia-UK must include the following information:

Summary page:

- Project title
- Project duration which the grant will cover
- Organisation name
- Contact details
- Amount of grant applied for
- Other public sector funding
- Total company contribution
- Funding percentage requested
- Applicable State Aid funding category

Subsequent pages address each of the criteria separately under the headings:

1. Impact on the cost reduction and/or security of supply
2. The size and nature of the business opportunity for the UK
3. Value for money and affordability

9.1 Impact on cost reduction and/or security of supply

This section focuses on the impact on technology cost reduction, carbon emissions and/or security of supply that you believe your innovation will have. Where this analysis is performed to sufficient detail within the EUROGIA+ Full Project Proposal applicants may refer assessors to that proposal.

Applicants should highlight how their innovation will make an impact. For example:

- is it through change in user behaviour resulting in reduced energy usage
- does the innovation reduce the cost of installation and/or maintenance for existing equipment
- improved performance characteristics of a component or a material leading to greater efficiency

Applicants should attempt to quantify the potential impacts. Using data provided in the business case section around market size, share and assumptions around market penetration they should highlight the potential for carbon or energy savings. Where impacts are around cost reductions and savings the size and scale of these

should be estimated.¹⁸ Applicants should outline their methodology and any assumptions they are making.

They should identify the timescales over which the impact will take place, taking into account when the innovation would expect to reach market and its uptake within the market place.

Applicants should consider whether any technologies that are currently being developed will supersede their innovation. These technologies should be highlighted and the potential impact on the timescales considered.

Where possible, applicants should also provide relative data against existing technologies, products or processes to highlight the comparative savings.

Applicants may also wish to consult DECC's guidance for valuation of energy use and greenhouse gas emissions.¹⁹ This provides data and information and a toolkit for calculating the impact of changes in energy usage.

9.2 Business opportunity

This section focuses on the business opportunity that you believe exists, the potential return on investment and the products, processes or outcomes from the project and how you plan to derive value from them. This section is strictly from the perspective of the applicant company and not the EUROGIA+ project as a whole.

What is the business opportunity that this proposal addresses?

You should outline the business opportunity that you have identified and what you need to do to address it successfully, within the desired timeframe and cost.

You should describe the particular problem or issue that is facing your business, marketplace or customers that your innovation addresses. You should outline how the outcomes of the project will help address these problems and issues.

If you have customers or potential customers already in place these should be identified and evidence of their support provided.

Applicants may also wish to consider calculating the payback period for the innovation to demonstrate the benefits of their innovation.

What is the size and nature of the market opportunity for this innovation?

You should describe the size of the market opportunities that this project might open up, including details of:

¹⁸ For cost reduction of low carbon energy technologies calculation templates are available from innovation@decc.gsi.gov.uk

¹⁹ http://www.decc.gov.uk/en/content/cms/about/ec_social_res/iag_guidance/iag_guidance.aspx

- Current nature of the specific market(s) at which the project is targeted (e.g. is it characterised by price competition amongst commoditised suppliers? Is it dominated by a single leading firm? Is it a UK, European or a global market?);
- The dynamics of this market including quantifying its current size, value, actual and predicted growth rates;
- The projected market share for the project outcome, with justification in the light of any potential competitors;

You should:

- Describe and clearly quantify the return on investment that the project could achieve and provide relevant evidence;
- Provide evidence for your statements about the addressable market for project outcomes;
- Outline your strategy for developing market share.

For highly innovative projects where the market may be unexplored, you should explain:

- what the route to market could or might be
- what its size might be, is it national or global
- how the project will seek to explore the market potential
- what sources you have used to reassure yourself that sufficient demand exists to justify the investment

How will the outcomes of the project be exploited? What business model will your company use to generate value from the innovation?

Applicants should list the potential exploitable outcomes of the project such as:

- Products or services
- Processes
- Applications

You should describe how these outcomes will be exploited including where applicable protection of intellectual property rights, reconfiguration of the value system, changes to business models and business processes and other methods of exploitation and protection.

In addition to the immediate practical exploitation of the outcomes, you should identify and quantify the likely impacts of a successful project on your business and indicate the timelines over which these impacts will be realised.

9.3 Value for money and affordability

This section focuses on the justification for the funding that you require. This section is strictly from the perspective of the applicant company and not the EUROGIA+ project as a whole.

Explain the financial commitment required for this project

This should be provided within the application form as well as completing the Finance Form²⁰ with the supporting information.

You should attempt to demonstrate that:

- The budget you are proposing is realistic for the scale and complexity of the project
- If applicable financial commitment from other sources is demonstrated for the balance of the project costs
- The budget breakdown is realistic and consistent with what is being proposed
- The spend profile matches the work packages and project plan

What is the added value of public funding for this project? Why can't you fund this yourself?

To demonstrate this you will need to provide evidence that

- There will be an increase in your total Research & Development spend on low carbon technologies in the UK;

and either:

- Why you are not able to wholly fund the project from within your business's own resources; or
- How Eurogia-UK funding would allow you to undertake the project differently or more quickly and why this would be beneficial to the UK.

To what extent will this project leverage prior, post-project, or external research, development and investment?

What work has been done to date? What stage of development is the innovation at? You should detail what has been done to date, (lab or bench demos, component tests, development prototypes, engineering or operational prototypes) and over what timescale. Outline any results that you have to date and any sources of technology you have used.

²⁰ See Eurogia-UK website or request form from TSB European Programme manager. See contact details on final page.

Are there any other activities that this project will leverage, such that the combined impact will be greater? Is there a strong case for why this project should be funded now?

Are you planning to continue working with the EUROGIA+ consortia past the end of the period eligible for Eurogia-UK funding? If so describe the activities that are planned to take place. Are these activities part of the EUROGIA+ consortia agreement? If your workload described in the EUROGIA+ Full Project Proposal is not identical the activity within the Eurogia-UK application you must ensure that any differences are clearly articulated and that a suitable milestone is in place for Eurogia-UK to consider as the end of project.

Note that any activity occurring after the 31st of March 2016 will not be considered eligible as match funding, even if it is documented within the EUROGIA+ consortia agreement.

Other funding

Please provide full details of other funding that you are currently applying for or have already applied for or received in relation to this particular project. This data is important as other public sector support is counted as part of the grant you can receive for the project and total state aids contribution.

Do not include grants that have been used to reach this point in the development process and are now completed.

10 Appendix B – Guidance for Micro-companies, Partnerships and Sole Traders

For support there are additional conditions for micro-organisations (sole traders, partnerships and micro-companies with fewer than 10 employees).

We recognise that very small organisations can be the source of important innovation and valuable expertise and welcome their involvement within the Eurogia-UK Programme, where they can add value without creating undue risk for the project and are capable of exploiting the results of the project. To reduce the risks and to satisfy Eurogia-UK that the projects are not being used as a revenue generating exercise for the micro-organisations, the following guidelines have been developed to regulate their involvement.

10.1 Participation

There are several ways that micro-organisations can actively participate in the Eurogia-UK Programme. They can participate in Eurogia-UK projects as subcontractors and charge a commercial rate to the project. If they operate in this manner, they will not be party to the collaboration agreement and not receive any long term benefit from the project outcomes, such as any share of intellectual property or beneficial ownership or use.

Micro-organisations may alternatively participate in projects as collaborators (subject to the financial criteria below). In this case they would need to be party to the collaboration agreement and to carry out exploitation of the results under the terms of the standard offer letter.

Only in very exceptional circumstances, and with the prior approval of the Eurogia-UK Programme, should a micro-organisation be the lead partner of a project.

10.2 Conditions of participation

Like all industrial participants of the Eurogia-UK Programme, micro-organisations should only be involved in a project if it extends their research and development activities beyond what they would normally be carrying out and if the outcomes of the project are beneficial to, and exploitable by, them. Eurogia-UK Programme projects are not a revenue generating activity and grants can only be paid against real costs incurred and defrayed against the project in question. All costs will be subject to an audit as outlined in the project's offer letter.

In order to participate therefore, micro-organisations must show additional trading activity or sources of additional finance to support their participation in the project of at least the same value as their total project costs (including any grant sought).

10.2.1 Additional conditions: micro-companies, partnerships and sole traders

In order to participate in the Eurogia-UK Programme micro-companies, partnerships and sole traders,

- Must have been trading for at least 12 months.
- Must be VAT registered (Flat Rate Scheme is acceptable) and maintain up to date “books” or management accounts sufficient to generate a Profit and Loss account.
- Show revenue generation from commercial operations for the previous 12 months of at least the same value as their total projected annual costs of participation in the Eurogia-UK Programme. This revenue total should not include grant income from this or any other project but could include sub-contract fees from a project that it is not participating in as a collaborator, or work carried out for public sector organisations on a commercial or contractual basis.
- Must be able to show how the balance of the project costs will be funded, plus capability and funds to be able to fully undertake and exploit potential innovative technologies resulting from the programme.
- At the end of each project year, they must supply a letter from their accountant to verify that revenue generation from commercial operations outside of the project continues to satisfy the requirement of being at least equal to their total eligible project costs. Copies of VAT returns may be used as evidence. Should this revenue drop below the above threshold, the Eurogia-UK Programme may withdraw support for the organisation and encourage the project to source the contribution elsewhere.

10.2.2 Additional conditions: micro-companies - fewer than 10 employees

Very small companies are treated as normal industry collaborators. Their inclusion in this guidance is intended to clarify a number of accounting and cost issues and to set minimum revenue thresholds to ensure the viability of their participation and ability to exploit the results of the project.

Micro-companies must be able to show how the balance of the project costs will be funded. This can be through revenue generation from commercial operations or from financing operations such as equity investment or loans. This revenue total should not include grant income from any other project but could include sub-contract fees from a project that it is not participating in as a collaborator, or work carried out for public sector organisations on a commercial or contractual basis. Non project related annual revenue, reserves, loans and investment must be at least that of their total eligible annual costs of the project (including any grant sought).

At the end of each project year, the micro-company must supply a letter from their accountant to verify that revenue generation from commercial operations, reserves, loans and investment outside of the project continue to satisfy the requirement of being at least that of their eligible project costs. Should this revenue drop below the threshold, the Eurogia-UK Programme may withdraw support for the organisation and encourage the project to source the contribution elsewhere.

11 Appendix C – Eligible Project Costs

Capital Grants can cover costs related to the creation or purchase, net of sales, of tangible or intangible fixed assets. Note that current expenditure is an eligible cost for calculating match funding.

Tangible fixed assets: an asset that has physical substance and is used to produce or supply goods and services.

Intangible fixed assets: scientific or technical knowledge in order to produce new or substantially improved materials; copyright; and intellectual property rights.

Development expenditure can be treated as capital where it involves the use of scientific or technical knowledge in order to produce new or substantially improved materials, devices, products or services; to install new processes or systems prior to the start of commercial production or commercial applications; or to improve substantially those already produced or installed.

Major items of software such as operating systems and substantial applications packages are included in capital expenditure.

The following headings show the eligible costs for UK participants in the Eurogia-UK Programme.

- Labour Costs - PAYE costs; not Directors dividends
- Depreciation on Capital Equipment
- Reasonable Overheads = Capped at 100% of direct costs
- Materials Consumed
- Sub-contracts; Consultancy; Fees including Fees for Trial and Testing
- Travel and Subsistence
- Other Costs
 - Training Costs
 - Preparation of Technical Report
 - Market Assessment/ Feasibility Studies
 - Licensing in New Technologies
 - Patent Costs [£10,000 grant]
 - Project Management
 - Legal and accounting costs

Overheads - Reasonable overheads can be included, as stated above. Complete the overhead calculator worksheet provided. In calculating the labour costs, reasonable overheads can be included. The overheads must exclude the costs of land, buildings, and other operational costs not directly attributable to the project. **Overheads are capped at 100% of direct costs.** To calculate overheads and labour costs complete the finance calculator worksheet provided.

Labour Costs - This includes the costs of personnel working directly on the project. You should provide the total man-days effort and cost required for your staff to work on the project, briefly describe the role of each person within the project and provide

their gross salary and the total labour effort in man days for each role within the project, together with the total number of working days per year for your organisation (365 days less weekends and holidays etc.). Director's dividends cannot be included in any calculation of labour costs. This is the cost that would be incurred by a company if they employed someone to undertake the role. This WILL NOT necessarily be the costs incurred by the partner if the person undertaking the role is paid at a higher rate than the role requires/demands.

Labour rates can only be calculated on the basis of salaries actually paid out. Remuneration through profit related pay, dividends, shares, share options or any form of good-will contribution to the company is not a direct cost and cannot be included in the calculation of labour rates. For example, companies that pay directors a salary of £5k and use dividend payments for the remainder of the remuneration package (for personal tax liability reasons) can only include a daily labour rate based on the £5k salary (i.e. £22 per day).

Materials Consumed - These will be the materials to be consumed on the project, not included in the overheads, purchased from third parties. Materials supplied by subsidiaries or associated companies should exclude the profit element of the value placed on that material. If waste or scrap material has a significant residual/resale value the figures should reflect this. Foreseen cost increases, such as on specific materials, may be considered by the Programme.

Sub-contracts; Consultancy; Fees including Fees for Trial and Testing - You should show any work that is essential to the success of the project where the expertise does not exist in the collaborative group. For example, you may wish to demonstrate that it would not be cost-effective to develop in-house skills for this one project. The same rules governing the use of subsidiaries and associated organisations with regard to supply of materials apply here. Attention will be paid to the size of this contribution when assessing eligibility and level of support. **Subcontracting is limited to a maximum 20% of the grant to UK partners, unless prior agreement is reached with the Eurogia-UK Programme.**

Travel and Subsistence - You should only include reasonable costs that are justified and will be incurred exclusively for progressing this project. Note that if any general travel and subsistence is included in your overhead calculations, this proportion should be subtracted from the Travel and Subsistence expenditure during the claims process.

11.1 Other costs

Other costs should include costs not accounted for in the above sections. Some examples follow. You should ensure that a case is made for the other costs within your Eurogia-UK application form.

Training Costs - These costs are eligible for support where they are specific to and necessary for the project. The Programme may consider support for management training specific to the project but will not support ongoing training.

Preparation of Technical Report - For example, where the main objective of a project is the support of standards or technology transfer.

Market Assessment/ Feasibility Studies - There is some scope for support, in exceptional circumstances, of “state of the art” studies in areas that will affect the nature and likely outcome of a project. Support may also be given for underpinning research leading to development of a programme, i.e. a suite of projects.

Licensing in New Technologies - Exceptionally, the Programme may consider support where it makes sense to do so, for example, to avoid “reinventing the wheel”. Where imported technology makes up a large part of a project (where technology is valued at more than £100,000) then it will be expected that there is development of that technology as part of the project.

Patent Costs - The Programme will support some of the costs of protecting foreground IPR up to a total of £10,000 per partner.

Project Management - The costs of project management by a ‘lead organisation’ on behalf of the consortium are eligible and should be included with the labour totals. UK participants may not subcontract project management that involves ‘leading’ the consortia. In cases where participant-level management is subcontracted, a strong case should be made for the necessity and benefits of this approach.

11.2 Ineligible project costs

The following costs are **ineligible** and should be excluded from any part of the project costs and any overhead calculations.

- Input VAT.
- Interest charges, bad debts, profits, advertising, entertaining.
- Hire purchase interest and any associated service charges.
- Advertising and marketing costs or activities.
- Profit earned by a subsidiary or by an associate undertaking work subcontracted out under the project.
- Inflation and contingency allowances expressed as an overall arbitrary percentage, additional to eligible costs. However, reasonable inflation rates can be included in labour and material cost estimates.
- The value of existing assets such as IPR, data, software and other assets that any of the collaborators contribute towards the project.
- Project audit or legal fees.
- For activities of a political or exclusively religious nature.
- In respect of costs reimbursed or to be reimbursed by funding from other public authorities or from the private sector.
- In connection with the receipt of contributions in kind (a contribution in goods or services as opposed to money).
- For the giving of gifts to individuals, other than promotional items with a value no more than £10 a year to any one individual.
- To pay statutory fines, criminal fines or penalties.

12 Appendix D – Technology Readiness Levels (TRLs)

Technology readiness levels is an indication of the maturity stage of development of particular technology on its way to being developed for a particular application or product. Below are some broad definitions of the TRLs

Research	
TRL 1 – Basic Research	Scientific research begins to be translated into applied research and development.
TRL 2 – Applied Research	Basic physical principles are observed, practical applications of those characteristics can be 'invented' or identified. At this level, the application is still speculative: there is not experimental proof or detailed analysis to support the conjecture
Industrial Research (guideline)	
TRL 3 – Critical Function or Proof of Concept Established	Active research and development is initiated. This includes analytical studies and laboratory studies to physically validate analytical predictions of separate elements of the technology. Examples include showing the performance of critical technical features or components are feasible (even if not yet integrated or representative of real-life environment).
TRL 4 – Laboratory Testing/Validation of Component(s)/Process(es)	Lab and Test Bench Demos of sub-systems & key components. Modelling & experimentation with parameters representing future conditions. Application proof-of-concept
TRL 5 – Laboratory Testing of Integrated/Semi-Integrated System	The system, sub-system, components, or sub-scale units are integrated with reasonably realistic supporting elements so it can be tested in a simulated or representative environment.
Experimental Development (guideline)	
TRL 6 – Prototype System Verified	Engineering Prototype. Representative full-scale prototype system, is tested in a relevant environment. Proof-of-application or
TRL 7 – Integrated Pilot System Demonstrated	Operational Prototype. Near or at planned operational system, requiring demonstration of an actual system prototype in an operational environment.
TRL 8 – System Incorporated in Commercial Design	Production Prototype (or process). Technology is proven to work - technology design for production or roll-out is completed and qualified through test and demonstration.
TRL 9 – System Proven and Ready for Full Commercial Deployment	Actual application of technology is in its final form - Technology proven through successful operations.

13 Contact Details

We are unable to answer detailed questions regarding the suitability of a technology for this scheme. Feedback on this will be provided as part of the Stage 1 application process.

For questions regarding the application process for the EUROGIA+ Label, the EUROGIA+ secretariat is available to guide and advise you throughout the process:

EUROGIA+ secretariat

Phone: + 32 (0)2502 1814

E-mail: contact@eurogia.com

For questions regarding organisation eligibility for the Eurogia-UK Programme or eligible costs contact:

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Technology Strategy Board

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To **submit Stage 3 applications** and for all other questions that are not addressed above please contact:

DECC Innovation Team

Email: innovation@decc.gsi.gov.uk

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