

DECC Guidance on EU Funding Mechanism “NER300” for Innovative Renewable Energy Demonstration Projects.

22 December 2010

NER 300**UK Guidance to UK Applicants for NER funding for innovative renewable energy demonstration projects****1. Introduction**

- 1.1. On 9 Nov 2010, the European Commission published its call for proposals for the first round of NER funding. This note is intended to provide some top level guidance for potential UK applicants and replaces the previous guidance on Renewable Demonstration Projects published on 30 July 2010.
- 1.2. Applicants should also refer to the European Commission's FAQ, which can be found at the same address as the Call for Proposals:
http://ec.europa.eu/clima/funding/ner300/index_en.htm
- 1.3. We have already published separate guidance for UK applicants for NER funding for CCS projects and it can be found here:
http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/ccs/ccs.aspx

2. Timetable

Activity	Deadline
Call for proposals published	9 November 2010
UK publishes guidance on NER for UK applicants	22 December 2010
Meeting for interested renewable demonstration project applicants to clarify issues on NER	19 January 2011
Project sponsors submit application forms to Member States	9 February 2011*
Member state discussion with Project Sponsors on calculation of relevant costs	9 February – April 2011
Member States submit selected proposals to European Investment Bank (EIB)	9 May 2011
Evaluation, ranking and list of recommended projects provided by EIB to the European Commission	9 February 2012

- 2.1. * The UK is open to discussion regarding updates that Project Sponsors wish to make to their submitted application forms. The deadline for any permitted changes will be 2nd April 2011. Project Sponsors should have regard to the European Commission’s response to FAQ 27 which states that interaction between Member States and Project Sponsors can take place between February and May “provided the relevant information could and should not already have been provided by 9 February 2011”.

3. Costs and Funding

Relevant Costs

- 3.1. Member States are responsible for the calculation of relevant costs. As set out in the Member State Submission Forms, this is expected to be determined in association with the Project Sponsor. DECC expects to undertake this calculation during the period February – April 2011.
- 3.2. The relevant costs of renewable demonstration projects will be calculated according to the process set out in the Call for Proposals. The reference plant is to be determined by Member States and DECC are in the process of determining how this should be set for the UK. In addition, the European Commission has in their latest FAQ 41 recognised further information is required for Member States to set the reference plant and the European Commission has said it will provide guidance on the definition of reference plant to the Member States. The UK Government then expect to publish further details after this guidance has been received.

Combining with other Funding Mechanisms

- 3.3. The UK Government is not proposing to provide public capital funding to match NER funding of renewable demonstration projects. We expect NER funding for renewable demonstration projects to be matched with private funds. As with any other renewable energy development, when in operation they may be eligible for market support in accordance with the rules of the market based incentives available for renewables at that time. Further confirmation is being sought from the Commission on cumulation of NER funding with other forms of support.

Upfront Funding (4.8.3, 32)

- 3.4. The call for proposals states that part or all of the funding for a project, not exceeding 50% of the relevant costs of that project, may be awarded prior to the entry into operation of the project – i.e. for up front capital costs. However, where projects receive up front capital, their Government must guarantee to cover these costs if the project does not proceed or is unsuccessful in generating sufficient renewable energy.
- 3.5. The UK Government does not intend to provide such guarantees for NER funded renewable demonstration projects, so UK projects should apply only on the basis of annual performance payments.

Knowledge Sharing Requirements

- 3.6. The Call and accompanying Specification for Legally Binding Instrument sets out the NER knowledge sharing requirements. Before NER funds are disbursed, project sponsors must enter into an agreement in accordance with the Specifications for Legally Binding Instrument provided in Annex 4 to the Call for Proposals if their application is successful.

4. Eligibility assessment and criteria

Eligibility Assessment by Member States

- 4.1. Any project applying for NER funding must meet the criteria set out in the European Commission's Call for Proposals.
- 4.2. In addition, Member States may apply their own eligibility criteria. Our previous guidance has already stated that among renewable demonstration projects DECC will prioritise applications from those projects falling within the ocean category. These are wave energy devices with nominal capacity 5MW, marine/tidal currents energy devices with nominal capacity 5MW and ocean thermal energy conversion with nominal capacity 10MW. We will not exclude applications from being submitted to us from other categories, however see the paragraphs below on the 'Role of Member States' which set out the priority we will give to the ocean category at the European Commission's short-listing stage.
- 4.3. The Government set out priorities in the Coalition Agreement¹ for a programme of measures including a technology focus to "*introduce measures to promote a huge increase in energy from waste*" and to "*introduce measures to encourage marine energy*".
- 4.4. Priority is being given to the ocean category as a reflection of national priority alongside the following evidence:
 - UK has unique level of wave and tidal resource that is in the order of 67TWh/yr, with the potential to meet up to 20% of the UK's electricity demand by 2050. It is anticipated that 1-2GW of generation may be able to be deployed by 2020 (with up to 30GW by 2050)².
 - Wave and tidal technologies are at a critical stage of development and the UK can benefit from a greater security of supply by exploiting its wave and tidal energy, in addition to the opportunity to reap the economic benefits of developing an indigenous marine energy generation sector. There is an opportunity for the UK by exporting technologies to countries looking to exploit their marine resource. By 2050, the UK's annual domestic and export market for marine energy could provide

¹ The Coalition: Our programme for Government, 2010

² The Marine Energy Action Plan, 2010

between £600million and £4.2billion – which is similar to Denmark’s current annual share of wind turbine market (£2.6bn)³.

- The National Renewable Energy Action Plan (NREAP)⁴ which was submitted by the UK under Article 4 of the European Renewable Energy Directive (2009/28/EC), cites marine energy as a priority technology for development in the UK. It recognises that the UK is a natural place from which to develop marine energy and the Plan encourages the development and commercialisation of the industry over the coming decade. It points to the fact that the world’s first full-scale wave and tidal stream devices are British innovations, showing we have the skills and know-how to develop a new world-leading UK-based energy sector⁵.
- Analysis by The Committee on Climate Change⁶(CCC) suggests that wave and tidal technologies are priorities for UK support and that the UK should adopt a develop and deploy approach. Wave and tidal technologies “increase the diversity of the power system and increase its resilience if other technologies fail to materialise and the UK therefore has an important role to play in developing marine energy technologies for both domestic and global markets”.
- Industry evaluation⁵ has shown that “wave power is likely to play an important part in the radical decarbonisation of UK electricity by 2050”. Due to the UK’s significant tidal stream resource and the similar nature of wave and tidal technology development, it is expected that energy from tidal stream can play an equally important part in meeting the UK’s carbon reduction target.

4.5. Applications will be assessed by DECC staff and, where appropriate, external experts.

4.6. The Devolved Administrations will be consulted in respect of any applications coming forward from their areas.

Location

4.7. Project Sponsors considering submitting a trans-boundary renewables demonstration project should contact DECC.

Role of Member States

4.8. This guidance is written on the basis of the European Commission’s response in FAQ34 that Member States will select which projects will remain on the list of

³ Carbon Trust, Future Marine Energy, 2006

⁴ National Renewable Energy Action Plan, 2010

http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/ored/uk_action_plan/uk_action_plan.aspx

⁵ Carbon Trust, Focus for Success, 2009

⁶ Committee on Climate Change, Building a low-carbon economy – the UK’s innovation challenge, 2010

recommended projects in the event that the Member State has more than three projects on the European Commission's short list, following the EIB's due diligence and confirmation of the availability of any required public funding.

- 4.9. Should the UK have more than three projects on the European Commission's short-list, it is our intention firstly to prioritise those CCS projects that have successfully secured funding from the UK Government as this will provide the most value for money for the UK. Secondly, if there are any remaining places on the European Commission's short-list, it is our intention to prioritise those renewable demonstration projects falling within the ocean category.
- 4.10. Should we have a choice between ocean category projects, we will select those that we consider likely to maximise the UK's overall return.
- 4.11. In the event that insufficient ocean category projects are present at the European Commission's short-listing stage, when selecting among renewable energy demonstration projects in other categories, we will select those projects that we consider are likely to maximise the UK's overall return and contribute to our domestic priorities.

5. Instructions for Submission of the Proposal

- 5.1. Project sponsors should send their completed application forms by recorded courier delivery in hard copy and also in soft copy on discs or a memory stick to 'NER Renewables', Area 4B, DECC, 3 Whitehall Place, London SW1A 2AW by 5pm on 9 Feb 2011.
- 5.2. Project Sponsors should name their files according to the convention set out in paragraph 130 of the Call for Proposals.

Confirmation and Clarification Process

- 5.3. If Project Sponsors have questions of clarification about this guidance note or point of interpretation relating to the Member State role, then they should contact DECC via ner.renewables@decc.gsi.gov.uk.
- 5.4. DECC will answer questions via regular FAQ on the ORED web page (www.decc.gov.uk/ored) to ensure that all Project Sponsors have access to the same level of advice.
- 5.5. However, DECC will not provide feedback or enter into dialogue with individual Project Sponsors except where this is necessary for the purposes of the UK carrying out its role in accordance with the Call for Proposals' requirements.

6. Call for Interest

- 6.1. DECC will be hosting a meeting of interested applicants for NER funding for renewable demonstration projects in the afternoon of Tuesday 19th January at DECC offices, 3

Whitehall Place, London SW1A 2WD. Should you wish to come along to this meeting, please email the ner.renewables@decc.gsi.gov.uk by **10th January 2011**.

- 6.2. To plan and manage the application process, it would be helpful if interested applicants could inform DECC of their interest in applying for NER funding by the **19th January 2011**. Please give a short description of the project (no longer than one A4 page) highlighting in particular which subcategory the application belongs. Please email this to ner.renewables@decc.gsi.gov.uk.

