



Department for  
Energy Security  
& Net Zero

# Industrial Energy Transformation Fund - Phase 3: Spring 2024 Guidance

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# 1.0 Introduction

## 1.1 Objectives of the Fund

The Industrial Energy Transformation Fund (IETF) supports industrial sites with high energy use to transition to a low carbon future. The fund targets existing industrial processes, helping industry to:

- reduce energy consumption by investing in more efficient technologies; and
- reduce emissions by bringing down the costs and risks associated with investing in decarbonisation technologies.

Funding is allocated through a competitive process aimed at supporting the highest quality and most transformational bids. The fund is open to a broad range of industrial sectors and will support lead applicant sites based in England, Wales, and Northern Ireland, both within and outside of industrial clusters.

The Department for Energy Security & Net Zero (DESNZ) manages the IETF for England, Wales and Northern Ireland, with up to £500 million to invest by 2028. This funding will be allocated through consecutive application windows split into three phases. This guidance document relates to Phase 3 of the IETF, and specifically the first of two application windows of Phase 3 (Spring 2024).

For further information on the policy rationale behind the fund's design please read the [Industrial Energy Transformation Fund Policy Statement](#). If your site is based in Scotland, please refer to the support offered by the Scottish Government. Contact [IETF@gov.scot](mailto:IETF@gov.scot) for more information.

## 1.2 Competition Scope and Structure

Funding will be allocated across three competition strands:

- Studies: feasibility and engineering studies to enable businesses to investigate identified energy efficiency and decarbonisation projects prior to making an investment decision
- Energy Efficiency: deployment of technologies to reduce industrial energy consumption
- Decarbonisation: deployment of technologies to achieve industrial emissions savings

Businesses are invited to bid into any one or more strands, provided their proposal or proposals is/are in scope of the competition's objectives and meets/meet the eligibility criteria for each strand. Proposals must aim to improve the performance, emissions, and environmental outcomes of the industrial process beyond standards currently required by relevant UK and international law.

Businesses should only apply if the project or study could not go ahead without government support. You must include a justification for the costs claimed in your application. It is your responsibility to demonstrate that your stated eligible costs are necessary in order to achieve the objectives of the competition strand you apply for. If your project passes assessment, but we determine that you have requested more funding than needed, you may be offered a lower grant amount.

This guidance sets out in more detail the eligibility and assessment criteria for each strand. It also describes the processes for the application, assessment, and award stages of the competition.

## 1.3 Competition Dates

The expected dates for each stage of the Phase 3: Spring 2024 competition are below. Please note that the timelines following the window closure are indicative, and DESNZ will endeavour to keep applicants informed of any changes in the timeline for the overall programme or individual applications.

29 <sup>th</sup> January 2024	Applicant registration opens at 11am (GMT)
19 <sup>th</sup> April 2024	Application window closes at 3pm (GMT). Late submissions will not be accepted.
October 2024	Notification of outcome of the eligibility and assessment stages
December 2024	Notification of outcome of the due diligence stage Grant Funding Agreements for successful proposals signed and project set-up details agreed.
1st July 2025	All successful proposals must start no later than this date
31 <sup>st</sup> March 2028	All successful proposals must finish no later than this date Grants will be monitored on a regular basis during the grant funding period.

On completion of the project, there will be a monitoring period of up to 5 years for deployment projects. Monitoring plans will be agreed as part of the project set up.

Grants will be monitored on a regular basis during the grant funding period. **When considering whether to apply for the fund, please take into account not only the timings of your project, but also the time it takes to undergo the assessment and award process, including due diligence and signing the Grant Funding Agreement.** More information can be found in Sections 6.5 and 6.6. We would expect this process to take around 7-8 months from the closing date of the window, although this may depend on the size

and complexity of the project and your ability to provide any necessary additional information in a timely manner. Please note that success at the initial assessment stage does not guarantee funding. Any funding will remain subject to completion of due diligence to DESNZ satisfaction and agreement to our proposed Grant Funding Agreement.

**We expect successful applicants to start and complete their proposal as defined in the application by the dates set out above. This is to ensure that funding is spent within the lifetime of the IETF (i.e. by 31<sup>st</sup> March 2028).** At the end of your project (project completion) you must have completed the study or have installed and begun to operate (or be ready to operate) the energy efficiency or decarbonisation technology.

## 1.4 Competition Budget

We will allocate up to £185m budget for Phase 3 on a first come first serve basis, over two application windows. The second application window is currently anticipated to open in June or July 2024.

All IETF Phase 3 funding must be spent by March 2028, so we encourage applicants with large or lengthy proposals to apply in the Phase 3: Spring 2024 competition if possible in order to maximise the time you have available to start and complete the proposal. DESNZ reserves the right at its absolute discretion to increase or decrease the size of the funding rounds at any time and for any reason. The launch of this round of IETF funding does not guarantee the availability of any funding now or in the future.

## 1.5 The Three Competition Strands

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The IETF is made up of three competition strands: studies, energy efficiency deployment, and decarbonisation deployment. This section of the guidance sets out the scope of each strand of the competition. You are also advised to read the guidance on technological eligibility in [Annex A](#), located at the end of this document. The technology rules apply for both studies and deployment projects, unless stated otherwise.

There is a separate application form for each competition strand. You will be asked to complete an application form for each proposal that you submit. There is no limit on the number of proposals that you may submit in any of the application strands.

You are also advised to read the guidance on technological eligibility in [Annex A](#), located at the end of this document. The technology rules apply for both studies and deployment projects, unless stated otherwise.

## 1.6 Studies

You can apply for grant funding towards the costs of feasibility and/or engineering studies. Studies should facilitate an investment decision in a specific technological solution.

At the end of your study, you must have completed a report that meets the specification for a feasibility or engineering study (see below). If the feasibility study includes an option analysis, then each option must be investigated and reported to the specification of a feasibility study. The aim of the studies competition is to help build a pipeline of future deployment projects. A key aspect of this is knowledge sharing.

### 1.6.1 Feasibility Studies

A feasibility study will investigate the technical, economic, and operational impacts of deploying a technology solution within the applicant's existing industrial process. Feasibility studies may include an options analysis to enable a comparative assessment of technology solutions and inform selection of a specific technology solution. If the feasibility study includes an option analysis, then each option must be investigated and reported to the specification of a feasibility study.

If you are carrying out a feasibility study, it must:

- investigate a single defined technology solution **or** be an option analysis of potential solutions that meet the eligibility criteria of the fund. Technologies must improve the energy efficiency or reduce the greenhouse gas emissions of an industrial process, or achieve both.
  - If an options analysis is being undertaken, then all options must lead to the same outcome, either improve energy efficiency and/or reduce the greenhouse gas emissions, in the **same** industrial process on the same site.
  - If an options analysis is being undertaken, then each proposed option must be described in the application.
- investigate the costs and benefits of each technology solution, and how it would perform compared to the existing industrial process technology. This should consider any potential impacts on operability, environmental benefits and scheduling of the plant.
- establish whether each potential technology solution is technically and commercially viable at the lead applicant's site.
- enable the lead applicant to reach a conclusion on whether further development of the proposed technology solutions are cost-effective and could eventually be deployed permanently.
- for decarbonisation technologies, studies should particularly consider whether the technology solution(s) is sufficiently well-developed and identify any specific barriers to deployment within the industrial process.



## 1.6.2 Engineering Studies

An engineering study is a detailed project plan that identifies specific technical and operational requirements, equivalent to a Front-End Engineering and Design (FEED) study. The final report must provide sufficient detail to enable your business to arrive at an investment decision. By the end of the project (i.e. once the study has been completed), key technical issues identified and project scheduling work should be complete, such that the business knows whether the project would be ready to be delivered on receipt of internal approval.

Options analysis cannot be carried out as part of engineering studies as a single technology solution should already have been identified prior to the study.

We expect your engineering study to show appropriate consideration of:

- technical approach including performance and commissioning and acquisition of materials, expertise etc.
- plan for how and when the intervention would be deployed and how any disruption to existing processes would be managed
- carbon reduction by volume, cost and/ or analysis of other benefits
- health and safety, and permitting
- planning and consent
- environmental impacts
- economic analysis and forecasting
- project delivery requirements and scheduling including identified contractors
- project risks and risk management strategy

## 1.7 Energy Efficiency Deployment Projects

This strand will support onsite deployment of technologies that will improve the energy efficiency of an industrial process. Businesses can apply for grant funding towards the costs of installing or retrofitting equipment on site. The IETF does not provide ongoing support for operational costs if raised by installation of the equipment.

To be eligible, technologies must have been developed at least as far as prototype stage at the scale of the plant in an operational environment (equivalent to Technology Readiness Level (TRL) 7 and above, see Annex A for further details). The intention is to support the commercial roll out and permanent installation of technologies at industrial sites, including technologies which may be at an earlier stage of technological maturity (TRL 7). However, the IETF does not support general research, development, and testing of technology solutions.

You will need to describe the energy saving potential of the technology or technologies considered. Energy savings (MWh) must be measured and take place at site level. Savings should be demonstrated by a total fall in the energy consumed in the existing industrial process, or (if there is a resulting change in production) the energy saving per unit produced. Energy savings should be the primary motivation for the project, any associated emissions savings will also be considered as part of your application.

Energy Efficiency deployment projects with a grant request greater than or equal to £5m must have had a prior feasibility or engineering study to be eligible. The study does not need to have been funded by the IETF. In the deployment strands of the competition, you will be asked for significant detail in the application around the costs, benefits and risks of the project. The feasibility or engineering study forms part of the evidence base of supporting information.

Energy Efficiency deployment projects with a grant request less than £5m do not need to have had a prior feasibility or engineering study to be eligible. However, it may be beneficial to have completed a study (with or without IETF funding) prior to a deployment application to help inform the costs, benefits and risks of the project.

## 1.8 Decarbonisation Deployment Projects

This strand will support onsite deployment of technologies that will reduce emissions generated by an industrial process. Businesses can apply for grant funding towards the costs of installing or retrofitting equipment on site. The IETF does not provide ongoing support for operational costs if raised by installation of the equipment.

To be eligible, technologies must have been developed at least as far as prototype stage at the scale of the plant in an operational environment (equivalent to Technology Readiness Level (TRL) 7 and above, see Annex A for further details). The intention is to support the commercial roll out and permanent installation of technologies at industrial sites, including technologies which may be at an earlier stage of technological maturity (TRL 7). However, the IETF does not support general research, development, and testing of technology solutions.

You will need to describe the expected greenhouse gas emissions savings from installing the technology or technologies. These could be demonstrated by a change to a lower carbon fuel, and would necessitate provision of information on the MWh use of different fuels, or by the direct abatement of onsite emissions, for example through carbon capture. A reduction in your existing fuel use, without a fuel switch, would **not** be classed as a decarbonisation project but may be in scope for the energy efficiency strand of the competition.

Emissions savings (tCO<sub>2</sub>e) must be measured and take place at site level. Emissions savings should be the primary motivation for the project. These technologies do not necessarily have to have an associated energy efficiency saving, but in some cases, this may form part of the rationale for undertaking the project.

Decarbonisation deployment projects with a grant request greater than or equal to £5m must have had a prior feasibility or engineering study to be eligible. The study does not need to have been funded by the IETF. In the deployment strands of the competition, you will be asked for significant detail in the application around the costs, benefits and risks of the project. The feasibility or engineering study forms part of the evidence base of supporting information.

Decarbonisation deployment projects with a grant request less than £5m do not need to have had a prior feasibility or engineering study to be eligible. However, it may be beneficial to have completed a study (with or without IETF funding) prior to a deployment application to help inform the costs, benefits and risks of the project.

## 1.9 Further Guidance on Proposal Classification

Some types of deployment projects may achieve a reduction in greenhouse gas emissions via energy efficiency technologies, mainly waste heat recovery projects. In these instances, the origin of the waste heat is used to determine the eligibility of the proposal for the decarbonisation strand. Projects where heat demand is displaced by waste heat derived from a lower emission fuel that constitutes an eligible fuel switch will be considered eligible for the decarbonisation strand. Some examples are set out below to illustrate this.

- Heat recovery from a natural gas (or another fossil fuel) fired steam boiler to reduce natural gas consumption in another part of the industrial process resulting in a reduction of overall natural gas consumption. As no fuel switch to a lower emission fuel source is occurring, this would only be eligible for the Energy Efficiency strand.
- Heat recovery from a low carbon hydrogen fired steam boiler to reduce natural gas consumption in another part of the industrial process resulting in a reduction of overall natural gas consumption by waste heat derived by low carbon hydrogen. As an eligible fuel switch is occurring, this would be eligible for the Decarbonisation strand.
- Waste process heat deriving from natural gas (or another fossil fuel) is recovered via electric heat pumps resulting in a reduction in overall energy consumption and displacement of natural gas consumption by increased electricity input. In this case, the project would be eligible to apply to either deployment strand, Energy Efficiency or Decarbonisation. It is left to the judgement of applicants to which strand they feel the project would have the best chance of success.

## 2.0 Application

### 2.1 Starting an Application

You should read the IETF guidance before starting an application. If you have any outstanding questions about the competition rules or issues accessing application forms, please get in touch with our enquiries service at [ietf@energysecurity.gov.uk](mailto:ietf@energysecurity.gov.uk). We offer free support to help you develop your application. We encourage you to contact us early so that you have enough time to complete and submit your application.

The lead applicant is responsible for the development and submission of their IETF application(s). See section 3.1.1 of the guidance for details on whether you are eligible to apply as a lead applicant. A third party may complete the application form on the lead applicant's behalf, but they must have the lead applicant's permission and be able to provide all of the information requested in the application form(s).

To start an application, the lead applicant or a nominated third party, must first register using the following link: <https://www.ietfspring24.energysecurity.gov.uk/s/ApplicantRegistration>.

Once the registration form is submitted, you will be emailed with a password and links to the password protected online application forms. If you do not receive this email, please check spam or junk folders before getting in touch with the IETF team for help.

Participation in past IETF windows, inclusion on IETF mailing lists, or attendance at IETF events does not result in an automatic registration. **The registration link will be live until the competition closes at 3pm on 19<sup>th</sup> April, but we strongly encourage you to register early so that you have time to complete the further application forms. Late submissions will not be accepted.** There is no obligation on you to submit an application if you register.

We cannot share application details with anyone other than the lead applicant or nominated lead author for the application. Please therefore ensure that the lead applicant, or nominated third party, is able to start and complete all elements of the application form by the deadline.

### 2.2 Navigating the Application Forms

For Phase 3, DESNZ has developed a new set of online application forms, which are hosted by SmartSurvey. The application forms will go live on Smart Survey at 11am on 29<sup>th</sup> January 2024.

There are four IETF application forms:

- Applicant Details form
- Study Proposal form

- Energy Efficiency Deployment Project Proposal form
- Decarbonisation Deployment Project form

The “Applicant Details” form captures information specific to the lead applicant’s company, including contact information, declarations, and financial information. You will only need to complete this form once, regardless of how many proposals you submit. Please ensure that all details are correct as we will use this information to contact you about the progress of your application(s). The “Applicant Details” form should be completed and uploaded as part of each proposal form that you submit so that we can identify the correct lead applicant. A PDF of your responses will be emailed to the lead applicant following submission of each application form.

The applicant is asked to complete an application form for each proposal that you intend to submit to the IETF Phase 3: Spring 2024 competition window. For example, if you have 2 study proposals and 1 energy efficiency deployment proposal, you must complete 2 study application forms and 1 energy efficiency deployment form. This is to ensure that details specific to each proposal can be reviewed and assessed by DESNZ. You may be asked different questions depending on the nature of your proposal, for example we will ask additional questions for large proposals requesting grants equal to or greater than £5m. The proposal application forms contain the following sections:

- Eligibility – (see section 3 of the guidance for details)
  - o Lead applicant details – upload “Applicant Details” form
  - o Project partner details
  - o Proposal eligibility questions
  - o Site eligibility questions
  - o Technology eligibility questions
- Finance (see section 4 of the guidance)
- Assessment (see section 5 of the guidance)

All proposal application forms must be completed and submitted by the application deadline.

You can save, pause, and return to your work at any stage before you submit the application(s) forms, provided this is before the competition window deadline. **Ensure you save your work as you go along and always before leaving the survey– your work will not be saved automatically.**

The application questions are also available in an offline word document which is available on the IETF homepage. If you are working on elements of the application form in an offline version please ensure that you leave sufficient time ahead of the window deadline to upload your answers. We will not accept applications submitted to us in any format other than a submission via SmartSurvey.

When filling out the application forms, please:

- Use relevant titles when naming proposals.

- Be clear and answer the questions in full, trying not to leave any blanks. The application forms contain guidance on what we want you to provide in each question, and whether the information is mandatory or optional. You will also see information guiding you on whether the information is used for administrative purposes or will inform your application score.
- Ensure your answers, are accurate and consistent with other responses in your application, especially if they include numbers. Please note that where numbers in your Project Benefit Calculator or Finance Form differ from those in the application form, we will use the application form as the correct number.
- Be specific, do not talk about wider company plans or projects unless specifically asked in the question.
- Provide clear, relevant supporting evidence, where required or offered as an option. If you are unable to provide mandatory uploads, please get in touch with us to discuss possible mitigations.
- Where highly specific industry or engineering terms are used, please explain these so that they can be understood by a non-expert audience.
- To help match your Proposal application form(s) with your Applicant Details form, please ensure you upload the responses to the Applicant Details form at the start of each Proposal application. You will also be asked to supply the lead applicant's email and name. For ease of application, please use the same email and name for each form.

Applicants are encouraged to contact the IETF support service at [ietf@energysecurity.gov.uk](mailto:ietf@energysecurity.gov.uk) if any help or clarification is needed as you work on your application.

## 2.3 Applying With Multiple Proposals

Typically, **an application for an energy efficiency or decarbonisation deployment project proposal should be defined as one technology solution, at one site, targeting an existing industrial process owned by the lead applicant.** A proposal could include the purchase or installation of various pieces of equipment or technologies provided these are complementary and necessary to achieving the desired energy or emissions saving. For example, a site considering electrifying an existing process may invest in measures to upgrade on-site transformers, replace an existing piece of equipment (such as a dryer or furnace) and install new metering and control systems. This could all be considered as a package of complementary, and interdependent, investments enabling an electrification project proposal.

Deployment proposals which relate to different parts of the industrial process, different technology solutions, or which span multiple sites, must be submitted as separate proposals.

Typically, **a study proposal will encompass all the work required to investigate a technology solution, or solutions in the case of an options analysis, within a specific industrial process at the lead applicant's site or sites (up to a maximum of 5 sites).**

Study projects that relate to different parts of the industrial process must be submitted as separate proposals.

Each proposal that you submit to the IETF competition will be assessed individually. This means that if you submit multiple proposals, some may be successful and some may be unsuccessful. You must ensure that your proposal(s) individually and/or collectively comply with the following rules on grant funding thresholds:

- The minimum eligible cost thresholds for feasibility and FEED studies of £30,000 and £50,000 respectively will apply to individual studies.
- For applications for deployment proposals within the energy efficiency or deployment strand, it is possible to aggregate multiple proposals together so that the grant value requested meets or exceeds the minimum grant funding threshold. The minimum grant funding threshold is £100,000 for large companies, or £75,000 for SMEs. For example, it would be possible to submit 3 applications requesting £50,000, £40,000 and £30,000 in grant funding to the energy efficiency deployment competition so that the combined total of your grant request was £120,000 which exceeds the minimum grant threshold.
- There is no upper limit on the value applications that you submit, provided that each individual proposal does not exceed the maximum grant funding threshold for the competition strand you are applying to.

Applications submitting multiple proposals must give detailed answers and justification for each proposal, as these will be assessed independently. If information is common across proposals then responses to relevant questions can be duplicated.

An unsuccessful proposal will not automatically result in the failing of the remaining proposals submitted by the lead applicant so long as these proposals each meet the relevant eligibility criteria, pass the initial assessment stage and, in the case of deployment projects, the combined grant amount requested is still more than the minimum threshold amount of £100,000 for large companies, or £75,000 for SMEs. Projects which are successful at initial assessment stage will undergo due diligence during which the ability of the lead applicant to support all proposals will be assessed. If it is deemed that not all proposals submitted by the lead applicant, some or all may be rejected.

## 2.4 Previous Applications

We will allow previously unsuccessful proposals to re-apply to subsequent competition rounds (this includes unsuccessful proposals that originally applied for the Summer 2020 and Spring 2021 rounds of Phase 1, and the Autumn 2021, Spring 2022, Summer 2022 and Autumn 2022 windows of Phase 2). Feedback has been provided on all applications. You may improve your chance of success if you make changes to your original application based on the assessor feedback you received. There is, however, no guarantee that this will lead to your application being successful when re-submitted; each application will be assessed on its own merit. You

should be aware that there have been changes to competition rules between Phase 2 and Phase 3. For each application you submit, you must make sure that your business, project team (where applicable) and your project are eligible and the questions are answered in full.

## 2.5 Submitting Your Application

All application forms must be submitted online by the deadline at 3pm on the 19<sup>th</sup> April 2024. The competition will be closed for submissions after this time and late submissions will not be accepted.

### Application checklist

As well as completing the application form, each online proposal application must include the following documents:

- Completed “Applicant Details” form
- Completed Finance Form (template can be downloaded from the [IETF Phase 3 competition page](#))
- Completed Project Benefits calculator (deployment proposals only, template can be downloaded from the [IETF Phase 3 competition page](#))
- Uploaded evidence to support responses to the Study Costs/ Value for Money questions (Studies) and/ or the Project Costs questions in the Deliverability Section (deployment).
- Completed Gantt chart
- Completed risk register for the project
- Additional supporting information, where possible and as appropriate.

Projects with a grant request greater than or equal to £5m must also include the following documents:

- Completed feasibility or engineering (FEED) study to support the proposed deployment project.
- The business case underpinning your assessment of the need for a government grant; outlining the ‘with’ and ‘without’ IETF position.

All application documents must be submitted via the online SmartSurvey application form. In the form there are opportunities to upload relevant supporting documents and we strongly encourage you to do this where it will strengthen your application. In some sections we specify the supporting information which must be uploaded. Please contact [ietf@energysecurity.gov.uk](mailto:ietf@energysecurity.gov.uk) if you have any questions.

Once you have submitted the application form(s) you will have the option to download and save your responses for your own records. A PDF of your responses will also automatically be emailed to the lead applicant following submission.



After you have submitted your application, you will be asked to complete a post-application survey. This is to enable us to understand your experience of the application process, its effectiveness, and where possible, where we could make improvements. Your answers to the survey will not be used to assess your application and survey responses are all anonymous.

## 3.0 Eligibility

There are a range of criteria that your proposal must meet to be eligible for the IETF competition. In the application form(s) you will first be asked to provide information that will help us to assess the eligibility of your proposal(s). The eligibility rules and the questions that you will be asked are explained in this section of the guidance, with funding rules summarised in Table 1. For some questions in the application form you will be notified if you have entered a response which suggests that your application is not eligible.

We also encourage you to check that your proposal is eligible by contacting DESNZ as early as possible before beginning your application. To get in touch please email [ietf@energysecurity.gov.uk](mailto:ietf@energysecurity.gov.uk) and include “Eligibility screening” in your email title. You will be asked to share details of your project to help DESNZ give an initial view. We will then be in touch to provide guidance on eligibility and arrange for a further discussion if necessary. This service is offered free of charge and is open to lead applicants and third parties acting on their behalf.

Commercially sensitive data that you share via the enquiries service will be stored securely and will be used for the purposes of providing you with advice. We may also use your feedback to understand the project pipeline and to evaluate the performance of the IETF, ensuring all identifying details are removed.

Following submission of your application, the eligibility of your company, project partners, site, and proposal will be checked and you may be asked to provide further evidence where clarifications are required. Applications that pass the eligibility checks will be put forward for assessment.

**Table 1: Overview of eligibility criteria**

Competition strand	Minimum threshold <sup>1</sup>	Maximum threshold	Aggregation	Typical maximum subsidy intensity Large/ Medium/ Small business	Further subsidy intensity uplifts <sup>2</sup>	Must start by	Must complete by
Feasibility Study	£30,000 total eligible cost per study	£7m total grant funding per study	Provided the technology solution is the same, a single study could cover up to 5 of the applicant's sites within its investigation.	50% (L) 60% (M) 70% (S)	N/A	01/07/2025	31/03/2028
Engineering Study	£50k total eligible cost per study	£14m total grant funding per study	Provided the technology solution is the same, a single study could cover up to 5 of the applicant's sites within its investigation.	25% (L) 35% (M) 45% (S)	Uplifts available for knowledge sharing	01/07/2025	31/03/2028
Energy Efficiency Deployment	£75k total grant funding per application <b>(applicable to SMEs only)</b>	£14m total grant funding per project	Multiple projects may be aggregated within or across the lead applicant's sites to meet	40% (M) 50% (S)	15% (1) 5% (2) <sup>3</sup>	01/07/2025	31/03/2028

<sup>1</sup> Minimum thresholds for studies are related to eligible costs, whereas minimum thresholds for deployment projects, and maximum thresholds for both studies and deployment, are related to total grant funding.

<sup>2</sup> If your business is based in an area of lesser economic advantage you can claim a higher subsidy against the eligible costs of your proposal.

<sup>3</sup> Applicants in Northern Ireland should note that NI is Tier 2.

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Competition strand	Minimum threshold <sup>1</sup>	Maximum threshold	Aggregation	Typical maximum subsidy intensity Large/ Medium/ Small business	Further subsidy intensity uplifts <sup>2</sup>	Must start by	Must complete by
			the minimum grant threshold.				
Energy Efficiency Deployment	£100k total grant funding per application (applicable to large companies)	£14m total grant funding per project	Multiple projects may be aggregated within or across the lead applicant's sites to meet the minimum grant threshold.	30% (L)	15% (1) 5% (2)	01/07/2025	31/03/2028
Decarbonisation Deployment	£75k total grant funding per application (applicable to SMEs only)	£30m total grant funding per project	Multiple projects may be aggregated within or across the lead applicant's sites to meet the minimum threshold.	60% (M) 70% (S)	15% (1) 5% (2)	01/07/2025	31/03/2028
Decarbonisation Deployment	£100k total grant funding per application (applicable to large companies)	£30m total grant funding per project	Multiple projects may be aggregated within or across the lead applicant's sites to meet the minimum threshold.	50% (L)	15% (1) 5% (2)	01/07/2025	31/03/2028

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Competition strand	Minimum threshold <sup>1</sup>	Maximum threshold	Aggregation	Typical maximum subsidy intensity Large/ Medium/ Small business	Further subsidy intensity uplifts <sup>2</sup>	Must start by	Must complete by
Decarbonisation Deployment for those subject to Article 10 of the Windsor Framework <sup>4</sup>	£75k total grant funding per application <b>(applicable to SMEs only)</b>	£30m total grant funding per project	Multiple projects may be aggregated within or across the lead applicant's sites to meet the minimum threshold.	50% (M) 60% (S)	5% (2) <sup>5</sup>	01/07/2025	31/03/2028
Decarbonisation Deployment for those subject to Article 10 of the Windsor Framework <sup>6</sup>	£100k total grant funding per application (applicable to large companies)	£30m total grant funding per project	Multiple projects may be aggregated within or across the lead applicant's sites to meet the minimum threshold.	40% (L)	5% (2) <sup>5</sup>	01/07/2025	31/03/2028

<sup>4</sup> Applicants must ensure that they consider whether Article 10 of the Windsor Framework applies to them and their project partners when applying. The questions in the lead applicant details form support an assessment of whether Article 10 of the Windsor Framework is likely to apply. If it is determined that Article 10 is likely to apply applicants must consider the appropriate subsidy intensity. More information can be found in Section 4.7 Article 10 of the Windsor Framework.

<sup>5</sup> Applicants in Northern Ireland should note that the region is eligible for the uplift for Tier 2 areas.

## 3.1 Eligibility: Business Details

### 3.1.1 Lead Applicant

To lead an application your organisation must be a registered business in England, Wales, Northern Ireland or Scotland. The site that is the subject of the application must be an eligible industrial site in England, Wales or Northern Ireland. If successful, the lead applicant will be the signatory of the grant funding agreement with DESNZ. DESNZ will have a direct relationship with the lead applicant. DESNZ will not have a legal relationship with, or pay money to, a third party. The lead applicant must:

- claim costs as part of the project or study
- use energy or produce direct emissions as a result of their own industrial processes (see below) at an existing site or sites
- be the end beneficiary of the study or deployed technology and owner of the industrial process.

We will ask you for your company registration number (e.g. your Companies House ID, where relevant), the registered address of your business in England, Wales, Northern Ireland or Scotland and the full address of your headquarters (if different from your businesses' address).

All lead applicants will be asked for details of your main business activities, organisation size and how many people you employ.

As the lead applicant you will be responsible for creating your application, ensuring all parts of the application are completed including additional information required to be uploaded, and submitting the application before the deadline.

Please note that technology developers or other third parties are not eligible to apply as the lead organisation, but may author the application on the lead applicant's behalf and with their permission.

### 3.1.2 Industrial Processes

To be eligible as a lead applicant you must carry out an eligible industrial process at a site (or sites) which will be the focus of the application. Industrial processes refer to a set of economic activities as defined by the Standard Industrial Classification (SIC). Businesses registered on Companies House are allocated a 5 digit SIC code at the time of registering. If relevant, you will need to [check your business SIC code](#) to make sure you are eligible. For this competition the industrial process carried out by your business must fall into the following SIC codes:

**Table 2: Eligible SIC codes**

Eligible industrial processes	SIC codes
Mining and quarrying <sup>6</sup>	07100 through to 08990; and 09900
Manufacturing	10000 through to 33200
Recovery and recycling of materials	38320 <sup>7</sup>
Data centre	63110
Industrial Laundries <sup>8</sup>	96010
Controlled Environment Horticulture (CEH) <sup>9</sup>	1110, 1130, 1190, 1240, 1250, 1280, 1290, 1300, 1610

Where relevant, you will be asked to enter your business' registered SIC code in the application form.

In this application window, the IETF will:

- Support eligible projects within **industrial** laundry facilities. Laundrettes and other domestic-focussed activities will not be eligible. Eligibility of projects within the industrial laundry facilities is subject to the technological eligibility criteria outlined in Annex A
- Support eligible projects within controlled environment horticulture (CEH) facilities supporting crops for human food consumption. Eligibility of projects within the specific SIC code activities listed in Table 2 is subject to the technological eligibility criteria outlined in Annex A.
- Support projects that improve the energy efficiency and / or reduce emissions from non-road mobile machinery (NRMM). The machinery must be necessary to, and a part of, the industrial process and located within the boundary of the eligible site and must

<sup>6</sup> This excludes activities related to the extraction of gas or petroleum. This also excludes coal and lignite mining operations.

<sup>7</sup> Activities associated with producing energy from waste are not eligible. Further details are provided in the technical eligibility section.

<sup>8</sup> This excludes laundrettes and other domestic-focussed activities.

<sup>9</sup> Activities supporting crops for human food consumption, where these are grown in indoor production systems with the technology to precisely control multiple environmental parameters such as greenhouses, vertical farms/plant factories. Wider agricultural or ornamental horticulture activities such as forestry, fishing, flower production, growing of medicinal plants, pastoral farming and arable farming (outside of controlled indoor environments), and low-tech protected environment horticulture (e.g. polytunnels) are not eligible for support from the IETF.

not be removed from that site. This can include, but is not limited to, machinery such as forklifts, crushers, off-highway trucks, cranes, or excavators, if these are not used for the transportation of goods and/or materials off-site or for the purpose of transporting people on or off site.

### 3.1.3 Site

If you find that your registered SIC code does not reflect the industrial process carried out at the site of the proposed project, or if you do not have a Companies House record, you will be asked to provide further details to evidence your eligibility. An example would be a telecoms business with an ineligible SIC code (for example 61100) that owns a data centre with an eligible category of activity (SIC code 63110). In this case, you will also be asked to provide details of the SIC code which most closely matches the activity at the site that is the focus of the proposed project.

We will also ask for the address of the site(s) which will be the focus of the application. If you are filling out an aggregated project application, there will be an option to fill in more than one address.

Deployment projects must relate to an **existing industrial site(s) or existing data centre(s)** located in England, Wales or Northern Ireland. A site is defined as the postcode, or multiple directly adjoining postcodes at which the industrial process takes place. You will be asked to confirm that the scope of the deployment project is within the boundary of the lead applicant's site(s).

Study projects must also relate to an **existing industrial site(s) or existing data centre(s)** located in England, Wales or Northern Ireland. However, **feasibility** study projects that are reliant on offsite infrastructure to enable the onsite project may additionally include offsite infrastructure within the overall study scope. This will typically apply to electrification projects which may need a connection to the nearest local grid infrastructure such as a substation, hydrogen fuel switching projects which may require connection to nearest import infrastructure offsite, and carbon capture (for storage) projects which require connection to the nearest export infrastructure offsite. The IETF support for inclusion of external infrastructure in feasibility study projects will only extend to 'bridging' infrastructure between the site boundary and the nearest offsite infrastructure connection. Engineering (FEED) studies must not include any offsite infrastructure within the project proposal.

The competition is targeted at technologies that will reduce the onsite energy use or emissions generated by industrial processes or datacentres. In some cases, **Combined Heat and Power (CHP)** equipment integral to the process may be owned by a separate entity or may not be co-located on the immediate site. Applications investigating eligible fuel switches for CHP plants will be considered in scope provided that at least 70% of both the heat output and electricity output produced by the CHP plant is used for an eligible process by the lead applicant or



project partners. The lead applicant must in this case be an eligible end-user, and the CHP operator must be a collaborating partner on the project.

### 3.1.4 Planned Relocation of Site

There may be situations in which a lead applicant has a planned site relocation which will occur post submission of their IETF deployment project application. The site move may be planned to occur before deployment, resulting in the project being implemented at a different site to the eligible (registered) site named in an IETF application. It could also be the case that a site move is planned to occur post deployment of a project within the 5-year monitoring period.

In this application window, site relocations will be permitted subject to the following criteria:

- The plan for the site relocation needs to have been fully developed and must be explained in the application. The new site would need to have been purchased / rented or agreements put in place, with appropriate evidence showing site eligibility.
- The basis upon which the IETF project was awarded funding must hold throughout the relocation and monitoring and verification period (see Section 7.6). That is, the IETF project must deliver the stated magnitude of benefits when relocated from one site to another. Since the IETF considers site level measurements of energy consumption or emissions data, it is your responsibility to demonstrate that the IETF project will remain the same post relocation.
- Costs associated with the relocation activity are **not** eligible for IETF funding.
- The applicant acknowledges that the level of metering required to establish a valid adjusted counterfactual in the Monitoring and Verification Plan is likely to be significantly greater than for projects which do not incorporate a relocation. Ensuring that adequate metering is in place to enable this will be a condition of the grant and a considered during due diligence checks. The project should expect to revise the Monitoring and Verification (M&V) Plan where unforeseen factors emerge post-relocation and ensure this is costed and resourced. This is so that any factors which may impact the realisation of project benefits can be adjusted for in the monitoring and reporting of benefits.

### 3.1.5 Project team

Lead applicants can collaborate with other organisations provided the project partners claiming grant funding meet the criteria below. To collaborate with the lead your organisation must:

- be a business of any size, a research organisation, a research and technology organisation, an academic institution, charity or a public sector organisation. You must read the guidance to find out which definition your organisation falls into;

- be registered in England, Wales, Northern Ireland or Scotland;
- carry out its project work in relation to the lead applicant's site located in England, Wales or Northern Ireland.

If the lead applicant is collaborating with project partners, then the costs relating to the lead applicant and project partners must be included in the application. For all applications the lead applicant must claim a share of the grant funding. DESNZ will only have a legal relationship with, or pay money to, the lead applicant. Each partner organisation can be invited into the online application form by the lead applicant to collaborate on the project (see Section 2.5).

Your project can include project partners that do not receive any of this competition's funding, for example businesses registered outside of the UK. You should only add project partner details for organisations who are acting economically in the project.

If you collaborate with project partners to deliver the project you will be required to sign a collaboration agreement with your project partners if you are successful. This will need to be in place before you can sign your Grant Funding Agreement with DESNZ. See Section 6.6.

### 3.1.6 Subcontractors

You may work with subcontractors to carry out your project or study, and they must be selected through your usual procurement process. You will be asked to provide details of any subcontractor costs in your application and an explanation as to why they are required.

We expect all subcontractor costs to be justified and appropriate to the total eligible project costs. There are no restrictions on the location of subcontractors, which can be based outside England, Wales or Northern Ireland.

## 3.2 Eligibility: Proposal Description

We will ask you to provide a description of your proposal. You should include information that clearly shows how your proposal aligns to the IETF eligibility criteria. Your answer should outline the scope of the project or study and technology solution, how it aligns with the aims of the IETF and any other information you think relevant for DESNZ and its assessors to understand your proposal. You will be asked to describe the intended outcome of the technology solution. Deployment projects will also need to provide information about any metering equipment already in place or that you need to install as part of the project, to provide data for longer term compliance and benefits monitoring. See the [Metering Requirements](#) section below).

### 3.3 Additional Information

In this section we ask you to provide some additional information which may be used for administrative purposes and for the future monitoring and evaluation of the IETF. You will be asked:

- for information about the meter point numbers for the project site (deployment only).
- whether your project will result in your business taking on any additional, permanent full time equivalent jobs, and if so, how many.

You will also be asked for the following information, which, in addition to the uses outlined above, may also be used at the award and due diligence stage, should you be successful at the initial assessment stage. You will be asked:

- for information about participation of the relevant installation or site in the UK Emissions Trading Scheme, Climate Change Agreements (CCA) and/ or Energy Intensive Industries (EII) compensation scheme.
- whether you have submitted your proposal to previous IETF competition window(s). Please see section 2.4 of the guidance for more details. There are no limits to the number of times you may resubmit an application.

## 4.0 Finance Form and Funding Rules

The IETF will only award funding where it can be demonstrated that the grant requested by you is directly needed for the costs of the study or deployment project undertaken. It is your responsibility to ensure these details are correct and are in line with the relevant Subsidy Control limits and regulations.

You will be required to complete and upload a finance form detailing lead applicant and project partners' expenditure, eligible costs, grant amount requested and match funding for each proposal that you submit. You will need to justify all costs claimed as part of the application questions. Further guidance is provided below.

### 4.1 Lead Applicant and Partner Expenditure

The finance form requires the lead applicant to set out your project or study expenditure. It will cover the following separate cost areas, some of which may not be applicable, depending on the project or study:

- Direct labour costs incurred by you from using employed staff on the project or study (up to ten different roles). Labour costs in the finance form should be entered based on the "total employer cost". This is typically based on your PAYE records, and can include the gross salary, National Insurance (NI), company pension contribution, life insurance or other non-discretionary package costs of the relevant role holder.
- Overhead, which is typically a percentage of your direct labour cost.
- Materials that make up a project, such as components and hardware. For deployment projects, this is where you should enter the main capital equipment purchases that you will make. Typically, this section will not be relevant for studies.
- Capital equipment used temporarily to support the completion of a study, calculated as a depreciation charge. This can be to cover the costs of the use of either new or existing equipment.
- Subcontractor costs.
- Travel and subsistence.
- Other, for anything else that does not fit into the above categories.

The finance form provides room for ten separate cost lines for cost area, except for Materials, which has twenty lines. You must be able to justify each cost line and, for deployment projects and engineering studies, split these costs across the maximum two-year installation period. If you are collaborating with project partners, you will then have the opportunity to supply the same detailed project expenditure for each partner.

## 4.2 Eligible Costs and Grant Amount Requested

In the finance form you will be asked to set out the project costs that are eligible to receive grant funding for the lead applicant and each partner (if applicable), and the amount of grant funding you are requesting. The relevant section will check that the support requested does not exceed the maximum available for the lead applicant and each project partner, which varies by partner type as explained below.

When you apply to the IETF you will need to determine whether the costs associated with the project or study are eligible to receive grant funding. The section below defines eligible costs for each strand of the competition and how these can be derived. You may not be able to claim the full eligible costs for your project or study. The maximum allowable amount of grant funding that you can apply for is also limited by rules on Subsidy Control and this is considered below.

You will need to justify that the costs you intend to claim against are necessary and directly linked to the study or successful deployment of the project. Where you are collaborating with other project partners, you must set out in the application each project partner's eligible costs.

The following costs are ineligible for all strands of the competition:

- Costs not directly linked to the achievement of the study, decarbonisation or energy efficiency benefit.
- The value of contributions in kind, for example a contribution in goods or services as opposed to money.
- The costs of any preparatory work conducted before the start of the agreed grant funding period.
- Costs incurred from production down-time.

The costs figures that you enter should be net of VAT. If, for any reason, it is not possible to recover the VAT on certain costs (for example, if a project partner is not VAT registered) then you will need to explain this in the evidence that you submit.

The cost figures that you supply with your application, will be the costs on which your application is assessed. If your application is successful, and your cost figures have increased, you will need to cover the increase in costs. If your costs have reduced, we will adjust our grant funding accordingly. **Please ensure your estimates are as accurate as possible, taking into account the likely start date of your project, and include any assumptions you have made. For example, it would be acceptable to make reasonable adjustments to costs to account for inflation.** Your estimates must be justified with evidence. Quotes, letters of intent and indicative costing may be appropriate evidence and this information will be reviewed by the IETF assessors.

### 4.2.1 Eligible costs for Studies

The eligible costs for studies are the costs incurred in the process of producing the final study report. This will typically include resource costs such as consultancy or staff time.

In some instances, you may also need equipment to test or derive results necessary to the study. Costs associated with testing of products, processes and services are eligible provided they cannot be used, in any form, in industrial applications or commercially. Equipment cost claims should therefore reflect only the usage period relevant to the study based, for example, on depreciation or rental costs. Costs for developing prototypes and pilots are not eligible.

### 4.2.2 Eligible costs for Deployment

The IETF will provide grant funding towards the up-front costs of deploying an energy efficiency or a decarbonisation measure on an existing industrial process. Examples of the type of costs that are eligible are capital and material costs, subcontractor costs, and direct labour costs for the installation of the measure. Ongoing operating costs are not covered by this competition.

For projects that are subject to a site relocation *during* the 5 year monitoring period of the IETF, the costs of the site relocation and deployment of the IETF project at the new site are not eligible for IETF funding.

The IETF will only award grant funding towards projects where it can be demonstrated that these costs are additional and necessary to achieving the energy or emissions saving. The investment costs necessary to achieve the higher level of energy efficiency or decarbonisation will be determined as follows (see Figure 3 for a flowchart guide):

- where the costs of investing in energy efficiency or decarbonisation can be identified in the total investment cost as a separate investment, this cost will constitute the eligible costs. The reference case is zero investment.
- in all other cases, the costs of investing in energy efficiency or decarbonisation are identified by reference to a similar investment (for example, replacing equipment on a like for like basis) that would not achieve the desired outcome. The difference between the costs of both investments identifies the energy efficiency or decarbonisation-related cost and constitutes the eligible costs.

Specifying the eligible costs in this way helps ensure that the costs supported by the IETF can be fully justified on the basis of the energy saving or decarbonisation benefit. The use of a reference case removes costs that might otherwise be associated with the general maintenance and upkeep of the site's productive capacity, expansion of capacity, or investment that might be needed to comply with current or future regulations. The full costs of replacing productive industrial process equipment would therefore typically not be covered.

In some instances, businesses may be replacing equipment ahead of standard investment cycles. In this case we have adjusted the rules for decarbonisation measures so that you may

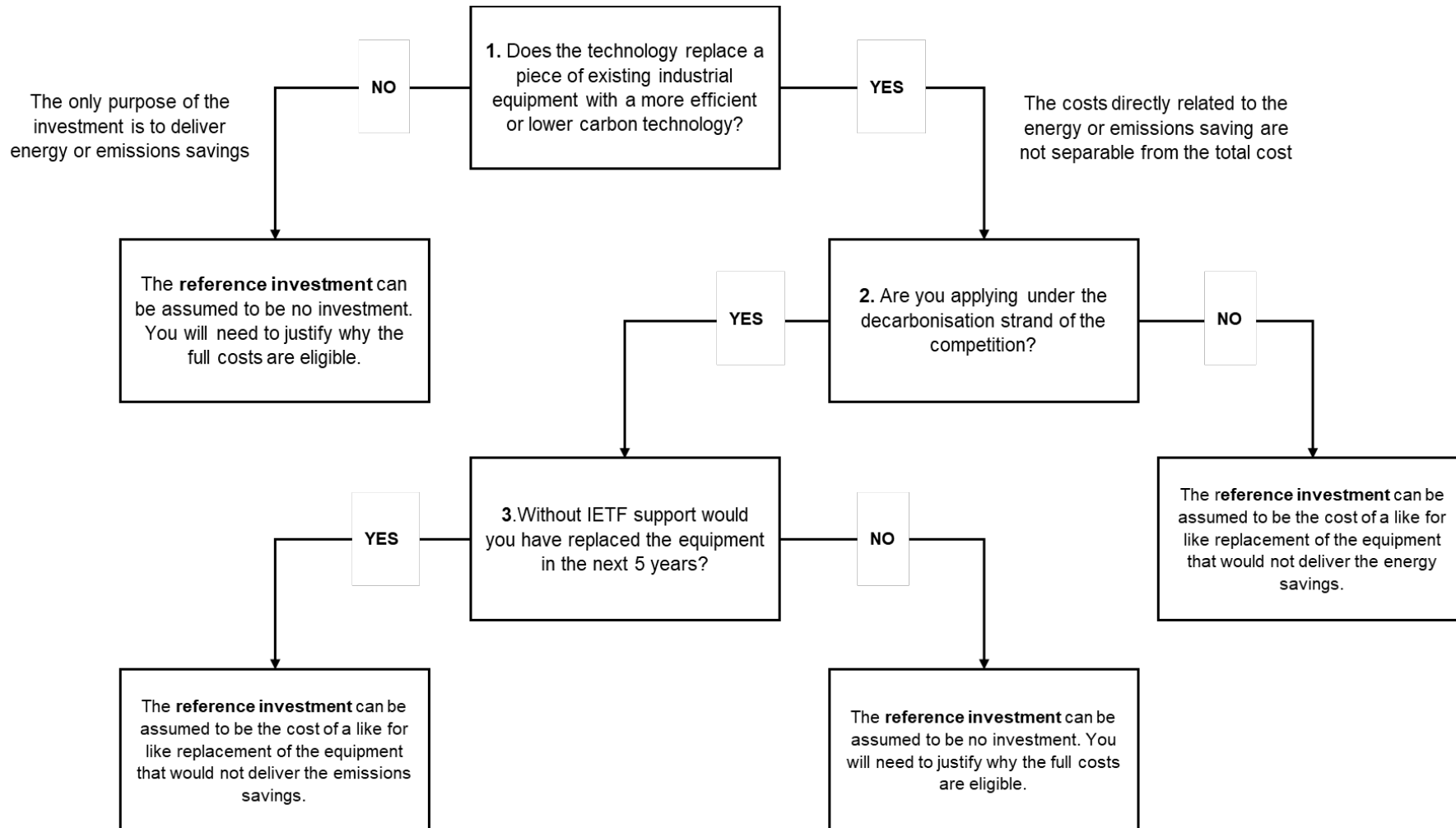
claim the full costs of replacement if without IETF support you would not have replaced the equipment in the next five years. This aims to encourage early action and also recognises that there is typically no financial return to investing in decarbonisation measures (as there is for energy efficiency measures).

## 4.3 Reference Case

If you are applying with a deployment project, you must describe your reference case in your application. The reference case should be a technically comparable investment, meaning an investment with the same production capacity and all other technical characteristics (except those directly related to the extra investment for the targeted objective). The reference case should be similar in terms of size and capacity and meet relevant minimum standards.

Your reference case is your justification for your eligible costs and will be tested at assessment and due diligence stages. To help you interpret the subsidy control limits for your own project, we have provided a flow diagram and example questions below which suggests what the appropriate reference case might be in different scenarios. This logic should be applied to all individual elements of the project(s), testing whether the specific energy or decarbonisation costs can be separated out or otherwise justified.

Figure 1: Guide for determining the reference case for deployment investments





**Question 1: Does the technology replace a piece of existing industrial equipment with a more efficient or lower carbon technology?**

Explained:

If the technology's only purpose is to achieve energy or emissions savings, and no investment by the beneficiary would have been necessary in the absence of IETF support, the total investment costs could be considered eligible. The reference case cost would be zero and it is possible to consider the total investment costs as eligible costs. You will need to justify this position in your application.

*Example 1: An applicant wants to recover waste heat to use this within the industrial process and thereby reduce energy by displacing another heat source. The heat recovery technology which will be installed has been developed specifically for this purpose, and is a separable piece of equipment that can be installed alongside the existing industrial process.*

*Example 2: An applicant wants to install a carbon capture technology and make the necessary adaptations to their site in order to connect to an external carbon transport network. The technology is separable from the rest of the industrial process and its only purpose is to deliver carbon savings.*

If you are fully replacing a piece of existing equipment your reference case should typically refer to a similar investment which would not have achieved the energy or emissions saving benefit, e.g. replacing the equipment like-for-like. The reference case must have the same production or output capacity as the new investment. The difference between the costs of both cases of investment constitutes the eligible costs. Full project costs are not applicable to these kinds of projects as fully replacing a piece of equipment will have multiple benefits beyond the energy or emissions saving which the IETF aims to achieve.

**Question 2: Are you applying under the decarbonisation strand of the competition?**

*Example 3: A company is operating a boiler to heat an industrial process. The company wishes to replace the boiler with the best available on the market which would lead to significant energy efficiency savings. The output capacity of the boiler will otherwise remain the same. In the reference case for this project, the applicant should provide the cost of replacing the system with a similar, less efficient model they could buy from the market and which meets minimum standards. The cost difference between this and the application project would be compared, with the difference being the eligible cost.*

Explained: Different rules apply for the deployment of decarbonisation technologies and energy efficiency technologies as they have different outcomes.

**Question 3: Without IETF support would you have replaced the equipment in the next 5 years?**

Explained:

If the existing equipment is coming to the end of its useful life and you would have replaced the equipment in the next five years without IETF support, then you will need to provide a reference case. Your reference case should consider the investment you would have made without IETF support and the difference in costs would constitute the eligible costs. The reference case must have the same production or output capacity as the new investment.

As one of the main purposes of the fund is to incentivise the adoption of decarbonisation technologies, those projects that are brought forward by a period of five years or more will be eligible for full project costs providing that the reference case justifies why the project could not be undertaken within the next five years. This should include the typical useful life of the equipment and when it was originally purchased. If sufficient justification is provided, the full costs of the project can be claimed as eligible.

## 4.4 Subsidy Intensities

Subsidy intensity is the proportion of a project's eligible costs that grant funding may cover. It is the maximum amount of funding that can be applied for. However, DESNZ expects you to present the minimum funding necessary for the project to go ahead – this may well be less than the maximum legal intensity. If we determine that you have requested more funding than needed, you may be offered a lower grant amount. If this lower amount takes your application below the minimum thresholds set out above, your project will no longer be eligible for funding.

The subsidy intensities for studies and energy efficiency deployment projects are the same under both the UK and EU subsidy control limits. For decarbonisation deployment projects, the subsidy intensities differ depending on whether Article 10 of the Windsor Framework applies or not. You must ensure that you consider whether Article 10 of the Windsor Framework applies to you and your project partners when applying.

For further information, please see the [Windsor Framework](#) section.

Please note the following general rules:

- An organisation or enterprise can fund and receive subsidies on multiple projects as long as it is able to show that each project is a separate investment.
- You must not claim subsidy funding from any other source for the same set of eligible costs. This would constitute duplicate funding. Where the lead applicant is collaborating with other project partners, the lead applicant must set out in the application each project partner's eligible costs. Please note however that DESNZ will only have a legal relationship with, or pay money to, the lead applicant.
- The maximum grant value that each partner can claim is detailed in the [Organisation Types](#) section. If your organisation's work on the project is mostly commercial or

economic, your funding request must not exceed the limits set out in this section. These limits apply even if your organisation normally acts non-economically.

- The IETF will not award grant funding to organisations that are considered to be in financial difficulty. It is your responsibility to ensure this is not the case but we will conduct financial viability and eligibility tests to confirm this is not the case following the application stage. The type of test you will undertake is dependent on your status with regards to the Windsor Framework. Please see the [Organisations or Enterprises in Difficulty](#) section for more information.

If there are any changes to the following requirements that mean we need to change the terms of this competition, we will update this guidance as soon as possible and inform any businesses that have started applications online. Further information about UK subsidy control requirements can be found in the [statutory guidance](#) for application of Article 10.

It is the lead applicant's responsibility to make sure that the funding awarded to you is compliant with all current subsidy control legislation applicable in the United Kingdom. If you are in any doubt, you should seek independent professional advice about your eligibility.

Applicable subsidy intensities for this competition will depend on:

- The type of organisation.
- Your organisation's size.
- Your organisation's location.
- The competition strand you are applying to.
- The following section sets out how these are defined and then how those definitions affect subsidy intensity.

## 4.5 Organisation Types

Organisations that can act as collaborating project partners fall into 3 categories:

- businesses
- research organisations
- public sector organisations or charities undertaking research activity

### 4.5.1 Business – Organisation size

A business is defined as an organisation or enterprise engaged in commercial activity. Businesses are categorised as micro, small, medium, or large, and this categorisation determines the levels of grant funding that can be claimed through the decarbonisation deployment, energy efficiency deployment and studies competitions.

Businesses can determine their size based on the thresholds set out in the table below. The factors determining your business size are:

- staff headcount;
- **either** annual turnover or balance sheet total

Business category	Staff headcount	Turnover	or	Balance sheet total
	Threshold must be met	At least one of the thresholds must be met		
Medium-sized	< 250	≤ £43m		≤ £37m
Small	< 50	≤ £9m		≤ £9m
Micro	< 10	≤ £2m		≤ £2m

If you have a parent company or a part of a larger business group, then the thresholds apply to the group as a whole. A large business in this context means any enterprise which exceeds the thresholds in the table.

The government can provide additional funding to businesses which intend to carry out their project in an area of lesser economic advantage. In the context of IETF competition, this applies only to deployment projects and not to studies.

More generous maximum subsidies can be given where the site is located in Tier 1 and Tier 2 areas. To determine if you fall into Tier 1 or 2, please refer to this list<sup>10</sup>. Please note that Northern Ireland is not included in this list, but the entirety of this country is in Tier 2.

Being located in an area of lesser economic advantage does not confer a right to financial assistance; rather, it allows the public sector to provide certain types of assistance if it wishes.

### 4.5.3 Research Organisation

Research organisations which are engaged in economic activity as part of the project will be treated as business enterprises for the purposes of funding.

When referring to research organisations, the department uses the following definition:

<sup>10</sup> [Statutory Instrument 1508 of the Industrial Development Act 1982.](#)

*“research and knowledge dissemination organisation’ or ‘research organisation’ means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities, the financing, the costs and the revenues of those economic activities must be accounted for separately. Organisations or enterprises that can exert a decisive influence upon such an entity, for example in the quality of shareholders or members, may not enjoy a preferential access to the results generated by it.”*

Within this competition, this means:

- universities (higher education institutions)
- non-profit research and technology organisations (RTOs), including catapults
- public sector organisations (PSO)
- public sector research establishments (PSRE)
- research council institutes
- research organisations
- charities

This list is not comprehensive and is subject to change and exceptions.

Any research organisations in your project team undertaking non-economic activity as part of the project can share up to 30% of the total eligible costs. If your project team contains more than one research organisation undertaking non-economic activity, this maximum is shared between them.

In relation to the contribution of universities to the project, 80% of their full economic costs can be set out in the application. For all other research organisations, 100% of full economic costs can be included in the application.

Research organisations should be non-profit distributing to qualify. They should explain how you will disseminate the output of their project research as outlined in the application.

#### 4.5.4 Public Sector Organisation or Charity

Public sector organisations and charities can work with businesses to achieve innovation through knowledge, skills and resources. These organisations must not take part in any economic activity or gain economic benefit from a project. As part of the application 100% of their costs could be eligible under the following conditions:

- they are undertaking research (this may be experimental, theoretical or critical investigation work to gain knowledge, skills or understanding vital to the project)
- they meet requirements for dissemination of their project results and they state in the application how they will do this
- they include their eligible costs for research purposes in the total research organisation involvement
- they are not applying for funding towards costs already being paid by the public purse such as labour and overheads.

#### 4.5.5 Third Sector

Third sector organisations are primarily voluntary and community, such as associations, self-help groups, mutual and cooperatives. Third sector organisations can be non-funding project partners in an application.

#### 4.5.6 Organisation Size & Grant Amount Requested

The amount of funding you may be able to receive will also depend on which competition strand you are applying into.

#### **Feasibility Studies**

The total eligible costs for a feasibility study application must be at least £30,000. The maximum grant that can be awarded for a feasibility study is £7 million.<sup>11</sup>

For feasibility studies you could receive funding for your eligible costs of:

- up to 70% if you are a micro or small organisation
- up to 60% if you are a medium-sized organisation
- up to 50% if you are a large organisation

#### **Engineering Studies**

The total eligible costs for an engineering study application must be at least £50,000. The maximum grant that can be awarded for an engineering study is £14 million.

For engineering studies you could receive funding for your eligible costs of:

- up to 45% if you are a micro or small organisation

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<sup>11</sup> Please note that for feasibility and engineering studies it is the eligible costs that are relevant to determining whether a project meets the minimum threshold requirement. However, it is the total grant amount requested which is relevant to the maximum threshold requirement.

- up to 35% if you are a medium-sized organisation
- up to 25% if you are a large organisation

If your engineering study project qualifies as an 'effective collaboration' or widely disseminates knowledge, you could receive funding for your eligible costs of:

- up to 60% if you are a micro or small organisation
- up to 50% if you are a medium-sized organisation
- up to 40% if you are a large organisation

'Effective collaboration' means collaboration between at least 2 project partners. The goal must be either:

- to exchange knowledge or technology  
or
- to achieve a common objective based on the division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results

Contract research and provision of research services are not considered forms of collaboration. For effective collaboration to apply between businesses no one business partner can take more than 70% of the total eligible project costs. For collaborations between businesses and research organisations, the research organisation must bear at least 10% of the total eligible project costs and have the right to publish its own research.

If you are claiming an uplift on the basis of 'widely disseminating knowledge' you must provide an explanation and justification for this. You must also provide supporting evidence demonstrating that a knowledge dissemination plan is in place.

### **Energy Efficiency Deployment:**

The minimum grant requested for an energy efficiency deployment application must be at least £100,000 for large companies, and at least £75,000 for SMEs. The maximum funding that an organisation or enterprise can claim when submitting an application through the Energy Efficiency Deployment competition is £14 million per project.

If your project is located in Tier 1 (see explanation above) you could receive funding for your eligible project costs of:

- up to 65% if you are a micro or small organisation
- up to 55% if you are a medium-sized organisation
- up to 45% if you are a large organisation

If your project is located in Tier 2 you could receive funding for your eligible project costs of:

- up to 55% if you are a micro or small organisation
- up to 45% if you are a medium-sized organisation
- up to 35% if you are a large organisation

If your project is located in another area you could receive funding for your eligible project costs of:

- up to 50% if you are a micro or small organisation
- up to 40% if you are a medium-sized organisation
- up to 30% if you are a large organisation

## **Decarbonisation Deployment**

The minimum grant requested for a decarbonisation deployment application must be at least £100,000 for large companies, and at least £75,000 for SMEs. When submitting an application through the Decarbonisation Deployment competition the maximum funding is £30m.

As with energy efficiency deployment projects, the government can in certain circumstances, offer additional financial support to organisations acting economically if they are conducting projects located in specific geographical areas.

UK intensity thresholds outside of the NI Protocol:

If your project is located in Tier 1 (see explanation above) you could receive funding for your eligible project costs of:

- up to 85% if you are a micro or small organisation
- up to 75% if you are a medium-sized organisation
- up to 65% if you are a large organisation

If your project is located in Tier 2 you could receive funding for your eligible project costs of:

- up to 75% if you are a micro or small organisation
- up to 65% if you are a medium-sized organisation
- up to 55% if you are a large organisation

If your project is located in another area you could receive funding for your eligible project costs of:

- up to 70% if you are a micro or small organisation
- up to 60% if you are a medium-sized organisation
- up to 50% if you are a large organisation



Windsor Framework intensity thresholds for Decarbonisation Deployment:

If you are applying for a decarbonisation deployment project where the Windsor Framework applies, and you are not located in NI the following maximum thresholds will apply to you. If your project is located in Tier 1 (see explanation above) you could receive funding for your eligible project costs of:

- up to 75% if you are a micro or small organisation
- up to 65% if you are a medium-sized organisation
- up to 55% if you are a large organisation

If your project is located in Tier 2 you could receive funding for your eligible project costs of:

- up to 65% if you are a micro or small organisation
- up to 55% if you are a medium-sized organisation
- up to 45% if you are a large organisation

If your project is located in another area you could receive funding for your eligible project costs of:

- up to 60% if you are a micro or small organisation
- up to 50% if you are a medium-sized organisation
- up to 40% if you are a large organisation

## 4.6 Match funding

In this section of the finance form you will be asked to explain how the project will be funded in addition to the grant requested. The IETF provides partial grant funding towards the cost of the project. Industry must also contribute funding, either through their own resources or from third parties. These contributions cannot be 'in kind', for example a contribution of goods or service as opposed to money.

Please note, if your application is successful and you accept a grant offer, you will be required to declare that you are not receiving duplicate funding in respect of any activities paid for in full using the grant. It is your responsibility to ensure that the cumulative total of public funding and subsidy intensity you are receiving for the project does not exceed the limits set out under the subsidy control limits for this competition.

## 4.7 Article 10 of the Windsor Framework

The rules set out in this document apply to all lead applicants from England, Wales, Scotland and Northern Ireland that are eligible to receive funding. Grants that are subject to

Article 10 of the Windsor Framework are subject to EU State Aid law. **This is most likely to apply to applicants and partner organisations based in Northern Ireland**, but in limited circumstances may also affect those in England, Scotland and Wales.

EU State Aid rules only apply to subsidies which affect trade in goods or the electricity market between Northern Ireland and the EU. The agreement of the Windsor Framework clarifies the very limited scope of Article 10, and statutory guidance sets out stringent materiality tests to assess whether Article 10 may apply.

Article 10 will normally apply to subsidies granted to goods trading beneficiaries located in Northern Ireland as these will meet the need for there to be a material effect. However, it is unlikely that similar subsidies to companies in GB that have only a small market presence in Northern Ireland will have a material effect on NI-EU trade and thus be in scope of Article 10. For more information, please see the [statutory guidance](#) for application of Article 10.

In your application, you will be asked some questions that will help DESNZ determine whether Article 10 of the Windsor Framework will apply to subsidies you are applying for. . These questions have a yes / no format, you should consider the activities of your organisation in its entirety, your affiliated entities and project partners when answering. If your answers indicate that you may be in scope of the Windsor Framework, further questions will be asked. These additional questions differ according to the location of your organisation.

Any subsidy awarded by the UK Government is subject to the prevailing subsidy control regime and applicants should familiarise themselves with the relevant rules as referred to in this guidance. For decarbonisation deployment, the maximum subsidy intensity differs depending on whether you or your affiliated entities are subject to the Windsor Framework. Applicants should ensure they consider the correct subsidy intensity in their application.

For further information, please see section 5 of the DESNZ Technical Guidance on the UK's International Subsidy Control Commitments.

## 4.8 Organisations or Enterprises in Difficulty

As a lead applicant, you will be subject to financial viability checks. Organisations that fall under the Windsor Framework will have to undergo the Undertaking in Difficulty test, as stipulated by EU State aid rules. This test will ensure that grant funding will not be provided to organisations where one of the following circumstances has occurred:

- In the case of a limited liability company, where more than half of its subscribed share capital has disappeared as a result of accumulated losses (other than an SME that has been in existence for less than three years). This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital, which includes any share premium. Limited Liability

Company is defined as: “public companies limited by shares or by guarantee, private companies limited by shares or by guarantee.”

- In the case of a business where at least some members have unlimited liability for the debt of the business, where more than half of its capital as shown in the business accounts has disappeared as a result of accumulated losses (other than an SME that has been in existence for less than three years). A business where at least some members have unlimited liability for the debt of the business is defined as: “partnerships, limited partnerships, unlimited businesses.”
- Where the organisation or enterprise is subject to collective insolvency proceedings or fulfils the criteria under UK law for being placed in collective insolvency proceedings at the request of its creditors.
- Where the organisation or enterprise has received a rescue subsidy and has not yet reimbursed the loan or terminated the guarantee, or has received a restructuring subsidy and is still subject to a restructuring plan.

In the case of an organisation or enterprise that is not an SME, where for the past two years:

- The organisation or enterprise’s book debt to equity ratio has been greater than 7.5 and
- The organisation or enterprise’s earnings before interest, taxes, depreciation and amortization (EBITDA) interest coverage ratio has been below 1.0

Applicants which are not subject to Article 10 of the Windsor Framework will not undergo these specific checks, but there will be a review at due diligence stage of the company's financial standing to identify any potential risks with the award of the grant.

## 4.9 Financial Accounts

You will be asked to provide financial information relating to the lead applicant, your ultimate parent company and your Group (if applicable). This information is collected in the Lead Applicant Details form. Should you be unable to provide this information at application stage, you will be asked to explain why. This information will be used to conduct due diligence on your application, should you be successful during the initial assessment process, although additional information may also be required.

This information should consist of:

- Audited (or unaudited if applicable) accounts for both the applicant and ultimate parent company along with the Group (if applicable) for the previous two financial years.
- Management accounts for both the applicant company and ultimate parent company for the remainder of the current financial year and financial forecasts for the following four financial years.

- Draft accounts where the year-end has passed and the statutory accounts are not yet available. These should be provided for both the applicant and ultimate parent company.

### **Parent Company Guarantee**

If, as a lead applicant, your application is successful, and you have a parent company, DESNZ will require a parent company guarantee as part of the due diligence process. This guarantee will be required from your ultimate parent company (as determined by DESNZ). DESNZ will also review the financial viability of the relevant parent company and run checks on that parent company. Failure to provide such a guarantee or information in respect of a relevant parent company may result in an applicant not being made an offer of grant funding.

## 5.0 Assessment

Applications which successfully pass the eligibility checks will be put forward for initial assessment. This part of the guidance outlines the criteria against which applications will be competitively assessed, and the assessment process for each strand. References to “Sections” below refer to the sections of the relevant online application forms.

### 5.1 Studies

Applications for studies will be assessed against the criteria set out below, which are weighted. The weighting will be added after your assessment has been completed. Applications will need to pass minimum thresholds. Applications which pass these minimum thresholds will be ranked by the highest score before being considered by the DESNZ Grant Award Panel.

When completing the application form, please note that all necessary information should be included in the body of the answer to a specific question. You will need to provide a project plan and risk register as part of the application, and evidence to support your cost estimates.

For other questions, you are strongly encouraged to attach additional supporting evidence or information, where possible. This should be limited to information which is required to support, give context to, clarify or justify answers given. Additional supporting evidence or information should be clearly cross-referenced in the body of your answer for that question and will only form part of the assessment if it is clear, relevant and of reasonable length. Examples are given below. Applications will only score higher marks if properly justified by evidence.

Criterion	Weighting	Questions asked	Scoring Guide
Study Overview	20%	<p>You will be asked to:</p> <ul style="list-style-type: none"> <li>• Give an overview of the objective of this study</li> <li>• Describe the project delivery plan, using a Gantt chart, including work packages and deliverables</li> <li>• Give details of any partners and sub-contractors who you will work with to carry out the study successfully and how they will be managed</li> <li>• Describe the roles, skills and experience of key members of the team (company staff and contractors) plus project management strategy</li> <li>• Describe the risks (technical, commercial, project delivery etc.), evaluate their impact and likelihood and describe the corresponding mitigation actions</li> </ul> <p>To support your answer you must submit:</p> <ul style="list-style-type: none"> <li>• a project plan (Gantt chart)</li> <li>• a risk register</li> </ul>	<p>In this section you are asked to explain the objective of this study alongside resourcing requirements and delivery plan.</p> <p>You will be scored based on the information provided across these topics including:</p> <ul style="list-style-type: none"> <li>• the appropriateness of the project team’s skills and experience,</li> <li>• the project timeline and the identified work packages</li> <li>• the strength of the team and their suitability for their role on the project</li> <li>• project plan with suitable timescales given to each task</li> <li>• a robust risk management plan with key risks outlined and their mitigation plan</li> </ul> <p>Higher marks will be awarded to applicants that demonstrate you are well placed to carry out the project and have appropriate skills and experience. Higher scoring proposals will include the following: clearly defined objectives and rationale for the project, well defined roles with strong evidence that the project team will work well (where relevant), a clear and commensurate project plan/Gantt chart with the work packages described, and key risks and uncertainties of the project clearly laid out in a risk register, showing how these have been considered and mitigated. The study has high likelihood of successful delivery.</p>

Criterion	Weighting	Questions asked	Scoring Guide
<p>Technical Feasibility</p>	<p>20%</p>	<p>You will be asked to:</p> <ul style="list-style-type: none"> <li>• Give an overview of the technology to be explored</li> <li>• Describe or explain the justification for choosing this technology</li> <li>• Describe or explain the evidence of the concept being scientifically or technically feasible</li> <li>• Describe or explain the current development status of the technology, referring to its TRL level</li> <li>• Describe or explain the nature of the outputs you expect from the study, such as a feasibility study report, an engineering design (for example, front-end engineering design), a report producing engineering plans (for example, approved for design standard)</li> <li>• Describe or explain how you will deploy the technology, are there any other barriers to deployment of the technology that must be overcome?</li> </ul>	<p>In this section you will be asked what potential solution to improve the energy efficiency or reduce the greenhouse gas emissions of your industrial process has been identified.</p> <p>This section asks you to describe the technical solution and ultimate deployment project you would undertake following the study. It assesses feasibility of the subsequent deployment of the technology following the study by seeking evidence and justification for its selection. The study should not be an options analysis that is seeking the correct technology but a piece of work to progress the project toward the next stage of deployment. Broadly speaking this is technical feasibility, engineering design or deployment. The outputs of the study should demonstrate how they enable the project to move to an investment decision.</p> <p>You will be assessed and scored based on the quality and clarity of the stated outputs, the appropriateness of these to enable next stage action as well as the strength of the justification for the technology choice and its technical feasibility for such a planned deployment.</p> <p>Higher marks will be awarded to applications where the technical scope of the project is clear with well-defined outputs linked to a broader deployment plan. Strong evidence should be given that the chosen technology is appropriate for its application and is technically feasible with a clear route to deployment.</p>

Criterion	Weighting	Questions asked	Scoring Guide
		<p>What internal processes would have to be overcome?</p> <ul style="list-style-type: none"> <li>• Are there any potential negative impacts that are likely to occur if the technology were to be deployed in the future?</li> <li>• You are strongly encouraged to submit supporting information (see below)</li> </ul>	
Potential for Carbon and Energy Savings	25%	<p>You will be asked to:</p> <ul style="list-style-type: none"> <li>• Describe or explain what potential there is to achieve realistic emission and/or energy savings by implementing the project explored through this study</li> <li>• Describe or explain why this technology solution or solutions were chosen and why other options were discounted</li> <li>• Describe or explain how the solution is aligned with the government’s commitment to reach net zero by 2050 and your own decarbonisation plans</li> </ul>	<p>In this section you will be asked to describe and justify the anticipated benefits of the project or projects explored through the study, including predicted carbon savings and/or energy savings. This section is assessing the potential emission savings and/or energy savings from the project when deployed. You will be scored based on the quality and credibility of the emissions reduction justification and/or energy saving reduction; including realism of assumptions and acceptability of arguments used.</p> <p>You must provide predicted emissions savings in tCO<sub>2e</sub> per annum, and expected changes to energy use in MWh per annum. If the project would save energy, please also include the predicted fuel bill savings in £ per annum. Please also provide an estimate of the expected lifetime of the equipment once deployed. Estimates must be in relation to a counterfactual scenario (e.g. what would happen if the identified project were not deployed). If your level of output would change as a result of the</p>



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Criterion	Weighting	Questions asked	Scoring Guide
		<ul style="list-style-type: none"> <li>Describe or explain how this project goes above and beyond your existing energy and carbon reduction commitments (such as Climate Change Agreements)</li> <li>You are strongly encouraged to submit supporting information (see below)</li> </ul>	<p>project, please also provide details of this and how it has informed the estimates. We understand that until the study is complete there will be uncertainty around these estimates. If possible, please include a range around a central estimate and identify any key assumptions or data sources.</p> <p>Higher marks will be awarded to applications where the stated carbon and/or energy savings are credible with strong justification and evidence to support assumptions and calculations used. When deployed, the technology should achieve the carbon and/or energy savings stated, which will improve the performance of the site, sector, or process identified beyond its “do nothing” trajectory.</p> <p>Higher scoring proposals will show that the technology has a clear alignment with the net-zero by 2050 commitment and, whether the study is successful or unsuccessful, there will have been a positive gain in knowledge around the opportunities and limitations of the chosen technology in the sector/process identified.</p>

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<p>Study Costs &amp; Value for Money</p>	<p>10%</p>	<ul style="list-style-type: none"> <li>• Please fill in and upload the finance form. The form captures the quantified costs of your project and the grant value you are seeking. Please ensure information you provide here is consistent with the information provided in the Finance Form.</li> <li>• Please describe how you have arrived at the cost estimates provided in the finance form. This should include as a minimum:             <ul style="list-style-type: none"> <li>○ Details on whether you have secured quotes, or how you have otherwise ensured the estimates are reasonable, particularly in cases where one-off material and capital costs exceed £10,000.</li> <li>○ If you are using subcontractors, a justification and a breakdown of how costs have been estimated for each subcontractor.</li> <li>○ A description of the steps you have taken to minimise costs to ensure that this project</li> </ul> </li> </ul>	<p>We are looking to see that you have a clear grasp of the costs of the project including supporting evidence to justify the stated costs. We also want to ensure that you are claiming an amount of grant that represents value for the public purse. You will be scored based on the strength of the evidence and justification for the stated costs and the evidence of need for the amount of grant requested. We would expect to see more detail for larger projects and one-off costs.</p> <p>Where subcontractors are used, we would expect you to include a breakdown of the activities and costs that the subcontractor will be undertaking, or as much detail as you are able to at the current time, as well as details of any tender process you have or expect to carry out.</p> <p>Higher marks will be awarded to applications where the project costs represent good value for money and the partners have a clear idea of how they will finance their contribution, the balance of costs and grants between partners and the use of subcontractors is well justified and reasonable for the proposed project.</p> <p>Please ensure your estimates are as accurate as possible, taking into account the likely start date of your project, and include any assumptions you have made (for example, around inflation).</p>
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Criterion	Weighting	Questions asked	Scoring Guide
		<p>represents value for money for the taxpayer.</p> <ul style="list-style-type: none"> <li>You must submit supporting information (please see examples below). If your project includes subcontractor costs, please upload a clear breakdown.</li> </ul>	
Added value	15%	<p>You will be asked to:</p> <ul style="list-style-type: none"> <li>Describe or explain the extent to which any of the study would have still occurred without IETF funding (e.g. would it not have gone ahead at all, or would it still have gone ahead but at a smaller scale?)</li> <li>Describe or explain why some or none of the study would have gone ahead without public funding</li> <li>Describe or explain why you are not able to wholly fund the study from your own resources or other forms of private-sector funding (such as loans)</li> </ul>	<p>In this section you will be asked what would have happened without IETF money. This section seeks justification for the use of public money to support the study. You will be scored based on the strength of that justification.</p> <p>Higher marks will be awarded to applications where there is a compelling, evidenced case for why public funding is required and the positive difference this funding will make.</p> <p>Higher scoring proposals will describe alternative sources of support with an explanation of why they are discounted or used in conjunction with the grant funding. It is likely that a very high proportion of the study would not have gone ahead without IETF support.</p>

Criterion	Weighting	Questions asked	Scoring Guide
Replicability	10%	<p>You will be asked to:</p> <ul style="list-style-type: none"> <li>• Describe or explain how the study could be replicated by others in the sector</li> <li>• Describe or explain how the technology could be adopted in other sectors</li> <li>• Describe or explain any measures you intend to take to encourage the project to be replicated outside your organisation.</li> <li>• Describe or explain how the results of the study will be disseminated to others</li> </ul>	<p>In this section you will be asked to describe the extent to which the technology to be explored though this study could be adopted by others in the sector or wider sectors. This section seeks to understand how the project fits into the broader industrial decarbonisation agenda. A technology that is repeatable and scalable across different industries and locations will have more value for industry. It will be scored based on the description of how this project could be repeated.</p> <p>Higher marks will be given where a clear and strong argument is given for replicability with good consideration of other sectors and how learnings from this project will be disseminated. The argument is justified with supporting evidence.</p>

Evidence that could be used to support these sections might include (but is not limited to) the following:

Criterion	Evidence
<p>Study Overview</p> <p>Technical Feasibility</p> <p>Potential for Carbon and Energy Savings</p>	<ul style="list-style-type: none"> <li>• Flow diagram of process showing Mass &amp; Energy flows</li> <li>• Evidence demonstrating where the chosen technology has been deployed in a similar or comparable operational environment.</li> <li>• Calculations showing how the counterfactual and the savings were calculated, including a list of assumptions and evidence to support these</li> <li>• Meter data or energy bills showing current energy/emissions for counterfactual</li> <li>• Layout/Schematic</li> <li>• Equipment List</li> <li>• A case study of a similar project and evidence of carbon saving at another site.</li> </ul>
<p>Study Costs and Value for Money</p>	<p>Quotations from suppliers and/ or subcontractors, letters of intent, or an explanation of the assumptions used for internal estimates of resourcing, capital and material costs.</p>

## 5.2 Assessment of Large Grant Deployment Projects

In this application window, deployment projects with a grant request greater than or equal to **£5m** will be subject to extra scrutiny during the assessment phase. If you have identified in your application form that the grant you are requesting is  $\geq$ £5m, you will be prompted to:

- submit a completed feasibility or engineering (FEED) study to support the proposed deployment project as part of your application. If the study has been supported by an IETF grant in the past, then we expect the quality and output of the study to meet the specification outlined in Section 1.6. If the study has been developed independently, we will still require that the study contains sufficient detail to allow assessors to establish how estimated benefits have been calculated (or modelled) and what assumptions have been applied. You will also be required to answer additional application questions on fuels and fuel intensity assumptions.
- submit a document setting out the business case underpinning your explanation of the need for a government grant, setting out the strength of the investment case 'with' and 'without' IETF position. This will be submitted as part of your application form. The business case should be presented in a format that is simple enough to allow the assessors to establish how any calculations of internal investment criteria, for example minimum payback or Return on Investment hurdles, have been derived and to test them as necessary. You will also be required to include information that will allow assessors to establish what assumptions you have used to calculate your investment metric as well as evidence of your internal investment decision criteria and methodology. As part of the business case you should outline any assumptions you have made about whether the investment case for the proposal will be impacted by other subsidies.

If deemed necessary by assessors reviewing your project, applicants with high value projects may be asked to join a scrutiny call to discuss your application during the assessment period. This call will be used to capture information on any areas of your application that require clarification and/or could impact on the decision on whether to fund your project. The call could be used to capture additional details deemed necessary to understanding the information provided in your application, both in the standard questions that we ask and in the additional questions that we ask for high value projects. For example, the call may be used to interrogate claims made on the nature of the risks, costs and potential economic impacts of your project. The meeting will be virtual and representatives from the IETF team will be present during the meeting.

The additional information provided through the application and scrutiny call process is required to ensure that high value proposals receive an appropriate level of scrutiny, helping DESNZ decision makers to identify if the proposal would be a good use of public funds. The information that we will ask for is likely to be information that you would require within your own organisation in order to progress your own internal investment decision making for the project.

Further information on assessment questions for all deployment projects and advice on how to respond is outlined in the sections that follow.

## 5.3 Energy Efficiency Deployment

Applications for energy efficiency deployment projects will be assessed against the following criteria, which are set out in more detail below:

- **Economic Assessment:** This criterion assesses projects to determine if they represent good value for money for His Majesty's Government (HMG) and society. This part of the assessment will take into consideration project elements such as: costs, benefits, additionality and risk to the benefits over the lifetime of the deployed asset. The main sources of benefit are the social value of reduced energy consumption, greenhouse gas emissions and air quality emissions.
- **Transformational Assessment:** This criterion assesses projects to determine their compatibility with HMG's Net Zero commitments, allowing applicants to justify their technology choices.
- **Deliverability Assessment:** This criterion assesses your ability to successfully deliver the project, taking into consideration the proposed plan, team and project management.

When completing the application form, please note that all relevant details should be included in the body of the answer to a specific question. However, for some questions, you must submit supporting information that evidences the statements made in your answer. You will need to provide a project plan and risk register as well as evidence to support your answers to the Project Benefits and Additionality sections of the Economic Assessment section, and the Project Costs section of the Deliverability section.

For other questions, you are strongly encouraged to provide additional supporting evidence or information, where possible. This should be limited to information which is required to support, give context to, clarify or justify answers given. Additional supporting information and evidence should be clearly cross-referenced in the body of your answer and will only form part of the assessment if it is clear, relevant and of reasonable length. Examples are given below. Applications will only score higher marks if properly justified by evidence.

Applicants for energy efficiency deployment projects will need to pass minimum thresholds to be considered for funding. Projects will then be ranked according to their score for the economic assessment before being considered by the DESNZ Grant Award Panel.

5.3.1 Economic Assessment

Criterion	Questions Asked	Scoring Guide
Project Benefits	<ul style="list-style-type: none"> <li>You will be asked to fill in and upload the project benefits calculator. You must submit evidence to justify your calculations and will be given the opportunity to upload documents in relation to each question (see examples below).</li> <li>In the project benefits calculator, you are asked to estimate the lifetime of the deployed technology. Explain the rationale behind this figure and provide evidence to justify your answer. Please also include details of when any maintenance or replacement of equipment is expected to be required throughout the lifetime of the technology.</li> <li>In the project benefits calculator, you are asked to provide your annual energy use by fuel both before and after completion of the project. Explain how you have calculated these figures and provide evidence to justify your answer.</li> <li>Please provide additional information on the composition of your fuel if, in the project benefits calculator, you have selected a proxy fuel, a waste gas option or a synthetic fuel option. A proxy fuel (meaning a fuel with the closest possible characteristics to the fuel you intend to use) should only be selected in the project benefits calculator if the fuel used in your project is not listed as an option.</li> <li>Will any of your energy consumption either before or after completion of your project include the use of electricity as a fuel?</li> </ul>	<p>You will be asked to fill out the project benefits calculator, which will be used to estimate the value for money to HMG and society of your project. These questions provide you with the opportunity to explain where the figures you input into the calculator have come from, how you have calculated them, and provide any evidence you have to justify these figures.</p> <p>A good answer to these questions will contain clear explanations of how each input to the project benefits calculator has been calculated, with evidence attached to justify these calculations.</p> <p>The strength of the rationale, evidence and justification of the figures used will affect the scores received by a project for this criterion.</p>



Criterion	Questions Asked	Scoring Guide
	<p>If so, expand on the source of your electricity. If generated offsite, please detail whether it is from the national grid, a local microgrid (and whether or not this uses renewable sources of generation), or other. If onsite, please detail how this is generated.</p> <ul style="list-style-type: none"> <li>• Will any of the fuel you use either before or after completion of the project be generated onsite? For each fuel generated onsite, provide details on how it will be produced, including the expected MWh of energy use (by input fuel) required to generate 1 MWh of your generated fuel. Include any calculations and evidence that underpins this figure. The amount should reflect your inputs to the project benefits calculator.</li> <li>• Will your project lead to a change in the production output of the process impacted by your project? If the answer is yes, in the project benefits calculator, you will be asked to provide your annual production output both before and after completion of the project, at the level of the process impacted by the project. Explain how you have calculated these figures and provide evidence to justify your answer.</li> <li>• Aside from the emissions reductions associated with lower energy consumption on your site, will your project generate any further direct carbon emissions abatement (e.g., carbon abatement coming from the avoidance of Greenhouse Gas (GHG) leaks or flaring)? Explain how you have calculated this figure and provide evidence to justify your answer.</li> </ul>	

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>If your project is likely to have a negative impact on air quality, please explain if and how you plan to mitigate this damage.</li> </ul> <p><b>Additional information for projects with grant £5m+:</b></p> <ul style="list-style-type: none"> <li>You will be required to submit a completed feasibility or engineering (FEED) study to support the proposed deployment project</li> </ul>	
<p>Additionality</p>	<ul style="list-style-type: none"> <li>What barriers are preventing you from undertaking the project without IETF support? Explain why you are not able to wholly fund the project from your own resources or other forms of private sector funding.</li> <li>Explain what would happen to the project without IETF funding, outlining the extent to which any of the project would still occur, when and why.</li> <li>Where some or all of the projects would not have gone ahead without IETF funding, describe how you would have instead used your funds. Would you have taken forward any alternative investments in your industrial process, and if so, how would the benefits of that project compare to the project you are requesting funding for?</li> </ul> <p><i>To understand the extent to which potential IETF funding overlaps with wider Government support, and thus maximise the benefit of Government spend, we would like to ask some further</i></p>	<p>Government has a duty to spend taxpayers' money in ways that deliver the maximum possible benefit to society. This means funding projects that deliver the greatest benefits relative to the counterfactual where no government funding is received. In this assessment, the additionality score reflects the extent to which a project delivers additional benefits above what would have occurred in the absence of IETF funding. Here we are looking for you to explain why your project would not be able to go ahead without HMG support.</p> <p>If you can prove or justify your answer through the provision of wider documentation, please consider attaching further evidence in this section. Failure to provide any supporting evidence to substantiate claims may result in a lower assessment score.</p>

Criterion	Questions Asked	Scoring Guide
	<p><i>questions about the interactions with any existing or intended wider support. These answers will be checked and assessed throughout the assessment process.</i></p> <ul style="list-style-type: none"> <li>• Is the site (installation or sub installation) that is the focus of this application registered under the UK Emissions Trading Scheme? If yes, you will be asked supplementary questions to explain how the IETF project goes above and beyond existing commitments.</li> <li>• Is the site (facility) that is the focus of this application registered under the CCA scheme? If not, are there plans for this site (facility) to register under the CCA scheme in the future? If yes, you will be asked supplementary questions to understand the assumptions on CCAs utilised within your internal investment decision process.</li> <li>• If your project relates to CHP equipment, do you expect to apply for the support available through the CHPQA scheme? If yes, you will be asked supplementary questions to explain how the IETF project goes above and beyond existing commitments. If your grant amount requested is <math>\geq</math>£5m, you must ensure the the benefit from CHPQA is clearly shown in your business case outlining the need for IETF support (in your scenarios with and without IETF funding). You will be scored down if this is not evidenced. If your grant is below £5m, your application would also benefit from outlining the above.</li> <li>• Please identify which alternative sources of government investment incentives you utilise, or plan to utilise, if any, and</li> </ul>	<p>The additionality case will be reviewed in the first instance at the assessment stage. Please endeavour to answer these questions as comprehensively as you can, evidencing claims and ensuring that you have a consistent argument. If you are successful, the claims made in your initial application may also be reviewed as part of the due diligence stage by commercial experts in DESNZ. This review will focus on the financial information you have provided to support your application, and involve checks (as deemed necessary by DESNZ) to verify the claims made. Due diligence can complete more quickly, and you can begin your project sooner, if you provide all of the evidence requested in the application form</p> <p>A good answer to these questions will clearly outline the barriers currently stopping the project from going ahead, how HMG funding can overcome those barriers, and what would occur if you did not receive HMG funding.</p> <p>We would expect answers to outline how the anticipated bill savings from the energy efficiency measure have impacted on the investment decision and payback. We do not prescribe the use of specific energy prices for your own internal</p>

Criterion	Questions Asked	Scoring Guide
	<p>why these are insufficient or inappropriate to support the scope of your IETF proposal?</p> <ul style="list-style-type: none"> <li>You will also be asked about how alternative government incentives have impacted your assessment of the energy (operational) costs of your project.</li> <li>Please provide an explanation of how you will secure the necessary match funding for the elements of the overall, and eligible project costs. Where appropriate please provide evidence to demonstrate that the sources of funding as stated in the application have been secured, for example, internal documents confirming this match funding, or documentation from a private financier. For sources of funding that have not been secured, evidence should be provided to demonstrate the stage of negotiation in obtaining the funding.</li> </ul> <p><b>Additional questions for projects with grant £5m+:</b></p> <ul style="list-style-type: none"> <li>You must provide the business case underpinning your assessment of the need for a government grant. This should outline the planned IETF project with and without Government support, explicitly referring to a counterfactual in which no IETF funding is received. The business case presented should be consistent with the rationale provided on why you need IETF support to facilitate this investment. In particular, the impact of CHPQA support for those benefitting from it, must be clear in the</li> </ul>	<p>analysis, but we ask you to be transparent about the assumptions you have made and to note any uncertainties. In your supporting evidence it may be appropriate to provide a sensitivity analysis using different potential scenarios for your energy prices (for example, low, central, and high estimates). This might mean the different scenarios have different internal payback rates, some of which may meet your firm’s payback threshold. You will need to rationalise in your application why you believe the energy prices you have used are most appropriate for your site.</p> <p>To note, some of the questions in the application form have been paraphrased within this document to ensure clarity and streamline the document. The full questions are outlined in the application form.</p>

Criterion	Questions Asked	Scoring Guide
	<p>business case. Provision of poor evidence will result in lower scoring.</p> <ul style="list-style-type: none"> <li>• This business case <b>must</b> include the following information:                             <ul style="list-style-type: none"> <li>• The investment metric utilised to make this decision, for example, a discounted cash flow, internal rate of return, net present values, wider payback calculations, internal carbon price.</li> <li>• Evidence that demonstrates the investment appraisal methodology and metric is in line with usual Group processes. This could be the Group investment appraisal manual.</li> <li>• The assumptions and methodology underpinning your investment decision. This may be in the form of a model, comparing the costs and benefits accrued over the lifetime of the IETF project versus the costs and benefits accrued over the same period if the IETF project did not go ahead (the counterfactual).</li> <li>• Please set out the assumptions used in forecasting the costs and benefits of the project, including expected energy prices and interactions with other subsidies/costs implied by the Emissions Trading System (ETS) or other government support.</li> <li>• Please outline your sources of match funding. If you are using third party financing which incurs a cost (for example, interest) please outline the assumptions you have made about the costs of securing the required match funding.</li> </ul> </li> </ul>	

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>• If your project does not meet your company threshold for investment even with IETF support, you must explain why this would still be approved internally.</li> <li>• Outline how uncertainty has been reflected in your analysis.</li> </ul>	

### 5.3.2 Transformational Assessment

Criterion	Questions Asked	Scoring Guide
<p>Net Zero Compatibility</p>	<ul style="list-style-type: none"> <li>• Please provide a technology justification statement, explaining why you have chosen this technology as the best option for your project.</li> <li>• Explain how your project fits into your site and business' wider plans for Net Zero. Outline what other changes you expect to carry out to both the production process where the project is being applied, and the site as a whole, in order to meet Net Zero, and how this project aligns with those plans.</li> <li>• State what percentage of both your site and process energy demands will be reduced by implementing this project, providing evidence to justify your answer.</li> <li>• You are strongly encouraged to submit supporting information (see examples below)</li> </ul>	<p>We are looking for you to outline how you are proposing to reduce your energy consumption and decarbonise your industrial processes in line with the UK Government's commitment to Net Zero, and how this project fits into those plans. Good answers will outline clearly, with evidence:</p> <ul style="list-style-type: none"> <li>• Why the technology option you have chosen is the most appropriate to support the decarbonisation of your site. A good answer will demonstrate how the project will avoid lock in and show genuine commitment to a Net Zero ambition, not simply the ambition to make processes more efficient or profitable, as well as the technical constraints to</li> </ul>

Criterion	Questions Asked	Scoring Guide
		<p>achieving greater energy savings and the importance of reducing energy demands to enable future decarbonisation projects.</p> <ul style="list-style-type: none"> <li>• How this project aligns with your site and business-wide plans to decarbonise.</li> <li>• How you are ensuring that you avoid locking-in a technology that is not compatible with Net Zero.</li> <li>• The extent to which this project will have a positive (transformational) impact on the overall energy demand and associated emissions across the site, or the specific industrial process.</li> </ul>
<p>Replicability and Scalability</p>	<ul style="list-style-type: none"> <li>• Provide an outline of how the proposed technology could be replicated and/or scaled across your own site(s), sites within your sector/other UK sectors or, internationally. Please explain whether, why, and to what extent, the costs and risks associated with the technology will reduce following your investment. Please justify your answer.</li> <li>• Within commercial constraints, outline plans to disseminate decarbonisation information and lessons learned from this project. Please justify your answer.</li> </ul>	<p>We are looking for an explanation of the perceived opportunities for replication or scalability of the project, and for you to outline how you plan to share or make use of any learning.</p> <p>A good answer will include, but is not limited to, an explanation of:</p> <ul style="list-style-type: none"> <li>• The opportunities for replicability and scalability at the site, sector and cross-sector levels.</li> </ul>

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>You are strongly encouraged to submit supporting information, where possible.</li> </ul>	<ul style="list-style-type: none"> <li>How demonstrating the technology at your site can help to reduce costs and risks that could act as barriers to wider adoption (by yourself and/or others).</li> <li>Any limitations or commercial constraints on replicability and scalability that exist, and how you intend to maximise its potential against this criterion within these constraints.</li> <li>How the project will be used in your Net Zero messaging to site staff, the wider business and sector.</li> <li>How you will support the building a knowledge base that fits within business circumstances, such as speaking at conferences or sharing information with trade associations.</li> </ul> <p>It is recommended that you work with your suppliers/supply chain to develop the answers, paying particular attention to those questions asking for replicability outside of business or sector.</p>



5.3.3 Deliverability Assessment

Criterion	Questions Asked	Scoring Guide
Project Plan	<ul style="list-style-type: none"> <li>• With the help of a Gantt chart, please show the project plan including work packages, milestones and deliverables.</li> <li>• Give a brief overview of each work package, including the responsible owner, expected costs and timelines of each.</li> <li>• Describe how the project will be managed, outlining any major tools and mechanisms you will use to get a successful project outcome.</li> <li>• Describe what level of contingency (with regards to personnel, timescales etc.) has been allocated within the project and why.</li> <li>• Outline any project dependencies, lead-in times, assumptions or decision-making timescales.</li> <li>• Describe the resources, equipment and facilities needed for the project and how you will access them.</li> <li>• To support your answer, you must submit a project plan (Gantt chart).</li> </ul>	<p>We are looking for you to identify and describe the specific actions, milestones and deliverables associated with the project. A good answer will detail deliverables and any interdependencies between tasks and will discuss the project management strategy and provide details relating to specific contents of individual work packages.</p>
Project Team	<ul style="list-style-type: none"> <li>• Outline the project team structure, including the roles, skills and experience of key members and</li> </ul>	<p>A good answer will identify the skills and experiences of in-house staff who will be working on the project and how this</p>

Criterion	Questions Asked	Scoring Guide
	<p>personnel, how their skills and experience will help deliver the project.</p> <ul style="list-style-type: none"> <li>• Where subcontractors will be employed as part of the project, please describe their roles and expertise, how they are essential for the effective completion of the project and how they will be managed.</li> <li>• You are strongly encouraged to submit supporting information (see examples below)</li> </ul>	<p>relates to the project. A good answer will also consider how the project team will be managed, segregation of duties and include an organogram of the key members of staff including their role and responsibilities. Where subcontractors are being used, you should explain why their work could not be covered by internal resource, why the chosen subcontractor has been selected, and how their skills and expertise will ensure the successful completion of the project.</p>
<p>Risk Management</p>	<ul style="list-style-type: none"> <li>• You must submit a risk register, taking care to include project risks associated with the technology, delivery, project team and financing of the project.</li> <li>• In addition, please describe in detail the three main challenges associated with delivery of the project and how these will be mitigated.</li> <li>• Give a brief overview of the risk management process that will be associated with the project, including how new risks will be identified and managed.</li> <li>• Outline if there are any key health, safety and environmental risks associated with delivering the project, and if so, how these will be overcome.</li> </ul>	<p>The key risks associated with the project should be identified from a range of sources (e.g., technical, delivery, sourcing equipment and materials, project team, financing), with these evaluated in the risk register for their likelihood, impact and resulting potential severity. A good answer will present strong mitigation actions to the key risks, showing how far these actions go to managing or reducing these risks. A strategy should be described for how risks will be managed during the project.</p>

Criterion	Questions Asked	Scoring Guide
	<p>Please include details of any permitting that will be required for this project.</p> <ul style="list-style-type: none"> <li>To support your answer, you must submit a risk register</li> </ul>	
Project Costs	<ul style="list-style-type: none"> <li>Please fill in and upload the finance form. The form captures the quantified costs of your project and the grant value you are seeking. Please ensure information you provide here is consistent with the information provided in the Finance Form.</li> <li>Please describe how you have arrived at the cost estimates provided in the finance form. This should include as a minimum: <ul style="list-style-type: none"> <li>Details on whether you have secured quotes, or how you have otherwise ensured the estimates are reasonable, particularly in cases where one-off material and capital costs exceed £10,000.</li> <li>If you are using subcontractors, a justification and a breakdown of how costs have been estimated for each subcontractor.</li> </ul> </li> </ul>	<p>We are looking to see that you have a clear grasp of the costs of the project including supporting evidence to justify the stated costs. We also want to ensure that you are claiming an amount of grant that represents value for the public purse. You will be scored based on the strength of the evidence and justification for the stated costs and the need for the amount of grant support requested. We would expect to see more detail for larger projects and one-off costs. Please ensure your estimates are as accurate as possible, taking into account the likely start date of your project, and include any assumptions you have made (for example, around inflation).</p> <p>Where subcontractors are used we would expect you to include a breakdown of the activities and costs that the subcontractor will be undertaking, or as much detail as you are able to at the current time, as well as details of any tender process you have or expect to carry out.</p> <p>Higher marks will be awarded to applications where the project costs are entirely appropriate and represent excellent value for money and the partners have a clear idea of how they will</p>

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>○ A description of the steps you have taken to minimise costs to ensure that this project represents value for money for the taxpayer.</li> <li>● You must submit supporting information (please see examples below). If your project includes subcontractor costs, please upload a clear breakdown.</li> </ul>	<p>finance their contribution. The balance of costs and grants between partners and the use of subcontractors is well justified and reasonable for the proposed project.</p>

Evidence to support answers to these sections could include (but is not limited to):

Question	Evidence
<p>Project Benefits</p> <p>Technical Risk</p>	<ul style="list-style-type: none"> <li>● Feasibility or Engineering /FEED study report (mandatory for projects with grant <math>\geq</math>£5m)</li> <li>● Diagram/schematic showing all relevant pieces of equipment, mass/energy flows &amp; project scope boundary (e.g. Block Flow Diagram, Process Flow Diagram, Piping &amp; Instrumentation Diagram etc).</li> <li>● Calculation showing how the counterfactual and the savings were calculated, including a list of assumptions and evidence to support them.</li> <li>● Meter data or energy bills showing current energy/emissions for counterfactual</li> <li>● Evidence/discussion on previous activities undertaken related to the project prior to the application.</li> <li>● Physical plant layout/schematic</li> <li>● Equipment list</li> <li>● Evidence underpinning assumptions in calculations.</li> </ul>

Question	Evidence
Additionality	<ul style="list-style-type: none"> <li>• Business case outlining, but not limited too, discounted cash flow analysis with and without IETF support, including information on internal investment hurdle rates, payback calculations and associated assumptions (mandatory for projects with grant <math>\geq</math>£5m).</li> <li>• Evidence of fuel or operating costs, pre and post deployment.</li> <li>• Evidence outlining the funding gap (i.e., the difference between what you can fund without HMG support and the cost of the project).</li> <li>• Comparison of IETF-supported project versus a smaller scale or delayed project, including costs, outputs and what they deliver.</li> <li>• Evidence of attempts to raise private finance.</li> <li>• Information on your finances to explain your case for assistance, for example, profit and loss analysis or balance sheet analysis. This may be relevant if your additionality case is predicated on limitations in internal funds.</li> <li>• Clearly defined calculations outlining the need for a grant that can be easily reproduced, for the counterfactual and post-IETF intervention scenario.</li> <li>• Provision of an investment appraisal manual and/or set of criteria for appraising Group projects.</li> <li>• Provision of sensitivity analysis on key variables within calculations, for example, energy prices.</li> <li>• An explanation of how assumptions underpinning key variables have been derived.</li> <li>• Evidence to support your answers should be the same documents that are ultimately put forward to your own decision-maker for the project.</li> </ul>
Net Zero Compatibility	<ul style="list-style-type: none"> <li>• GHG Savings Calculations including a list of assumptions (with better marks available for linking to evidence that underpins the assumptions)</li> <li>• Net Zero Roadmap</li> </ul>
Project Team	<ul style="list-style-type: none"> <li>• Team Member CVs</li> </ul>

Question	Evidence
Project Costs	<ul style="list-style-type: none"><li data-bbox="427 260 2011 373">• Quotations (Both for applied for costs, and quotations received during tendering processes) from suppliers/subcontractors, letters of intent, or an explanation of the assumptions used for internal estimates of resourcing, capital and material costs</li></ul>

## 5.4 Decarbonisation Deployment

Applications for decarbonisation deployment projects will be assessed against the following criteria, which are set out in more detail below:

- **Economic Assessment:** This criterion assesses projects to determine if they represent good value for money for HMG and society. This part of the assessment will take into consideration project elements such as: costs, benefits, additionality and risk to the energy savings for the lifespan of the project. The main sources of benefit are the social value of reduced energy consumption, greenhouse gas emissions and air quality emissions.
- **Transformational Assessment:** This criterion assesses projects to determine their compatibility with HMG's Net Zero commitments, allowing applicants to justify their technology choices.
- **Deliverability Assessment:** This criterion assesses your ability to successfully deliver the project, taking into consideration the proposed plan, team and project management.

You may also be asked further technology specific questions, depending on the technology you are deploying through your project. These questions can be found under each technology in Annex A of this document. Answers to these questions will be used to inform the scoring of all three criteria.

When completing the application form, please note that all necessary information should be included in the body of the answer to a specific question. For some questions, you must submit supporting evidence. You will need to provide a project plan and risk register as well as evidence to support your answers to the Project Benefits and Additionality sections of the Economic Assessment section, and the Project Costs section of the Deliverability section.

For other questions, you are strongly encouraged to provide additional supporting evidence or information, where possible. This should be limited to information which is required to support, give context to, clarify or justify answers given. Additional supporting information and evidence should be clearly cross-referenced in the text and will only form part of the assessment if it is clear, relevant and of reasonable length. Examples are given below. Applications will only score higher marks if properly justified by evidence.

Applications for decarbonisation deployment projects will need to pass minimum thresholds to be considered for funding. Projects will then be ranked according to their score for the transformational assessment before being considered by the DESNZ Grant Award Panel.

### 5.4.1 Economic Assessment

Criterion	Questions Asked	Scoring Guide
Project Benefits	<ul style="list-style-type: none"> <li>You will be asked to fill in and upload the project benefits calculator. You must submit evidence to justify your calculations and will be given the opportunity to upload documents in relation to each question (see examples below).</li> <li>In the project benefits calculator, you are asked to estimate the lifetime of the deployed technology. Explain the rationale behind this figure and provide evidence to justify your answer. Please also include details of when any maintenance or replacement of equipment is expected to be required throughout the lifetime of the technology.</li> <li>In the project benefits calculator, you are asked to provide your annual energy use by fuel both before and after completion of the project. Explain how you have calculated these figures and provide evidence to justify your answer.</li> <li>Please provide additional information on the composition of your fuel if, in the project benefits calculator, you have selected a proxy fuel, a waste gas option or a synthetic fuel option. A proxy fuel (meaning a fuel with the closest possible</li> </ul>	<p>You will be asked to fill out a project benefits calculator, which will be used to estimate the value for money to HMG and society of the project. These questions provide you with the opportunity to explain where the figures you input into the calculator have come from, how you have calculated them, and provide any evidence you have to justify these figures.</p> <p>A good answer to these questions will contain clear explanations of how each input to the project benefits calculator has been calculated, with evidence attached to justify these calculations.</p> <p>The strength of the rationale, evidence and justification of the figures used will affect the scores received by a project for this criterion.</p>



Criterion	Questions Asked	Scoring Guide
	<p>characteristics to the fuel you intend to use) should only be selected in the project benefits calculator if the fuel used in your project is not listed as an option.</p> <ul style="list-style-type: none"> <li>• Will any of your energy consumption either before or after completion of your project include the use of electricity as a fuel? If so, expand on the source of your electricity. If generated offsite, please detail whether it is from the national grid, a local microgrid (and whether or not this uses renewable sources of generation), or other. If onsite, please detail whether this is generated through renewable sources.</li> <li>• Will your project use an interim fuel after the project has been completed before fully switching to a decarbonised fuel? If so, provide details of the interim fuel the site proposes to use before the decarbonised fuel comes online, why this has been chosen, and how long it is expected to be used for.</li> <li>• Will any of the fuel you use either before or after completion of the project be generated onsite? For each fuel generated onsite, provide details on how it will be produced, including the expected MWh of energy use (by input fuel) required to generate 1 MWh of your generated fuel. Include any</li> </ul>	

Criterion	Questions Asked	Scoring Guide
	<p>calculations and evidence that underpins this figure. The amount should reflect your inputs to the project benefits calculator.</p> <ul style="list-style-type: none"> <li>• Will your project lead to a change in the production output of the process impacted by your project? If so, in the project benefits calculator you are asked to provide your annual production output both before and after completion of the project, at the level of the process impacted by the project. Explain how you have calculated these figures and provide evidence to justify your answer.</li> <li>• Will your project generate any direct greenhouse gas emissions abatement at the site where the project is being delivered (e.g., any abatement not generated from switching to cleaner fuels, such as carbon capture)? If so, in the project benefits calculator you are asked to provide an estimate for the expected direct carbon abatement your project will deliver per annum. For carbon capture projects, this should be the amount of CO<sub>2</sub> you expect your project to capture per annum. Explain how you have calculated this figure and provide evidence to justify your answer.</li> </ul>	

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>If your project is likely to have a negative impact on air quality, please explain if and how you plan to mitigate this damage.</li> </ul> <p><b>Additional information for projects with grant £5m+:</b></p> <ul style="list-style-type: none"> <li>You will be required to submit a completed feasibility or engineering (FEED) study to support the proposed deployment project</li> </ul>	
<p>Additionality</p>	<ul style="list-style-type: none"> <li>What barriers are preventing you from undertaking the project without IETF support? Explain why you are not able to wholly fund the project from your own resources or other forms of private sector funding.</li> <li>Explain what would happen to the project without IETF funding, outlining the extent to which any of the project would still occur, when and why.</li> <li>Where some or all of the projects would not have gone ahead without IETF funding, describe how you would have instead used your funds. Would you have taken forward any alternative investments in your industrial process, and if so, how would the benefits of that project compare to the project you are requesting funding for?</li> </ul>	<p><i>Government has a duty to spend taxpayers' money in ways that deliver the maximum possible benefit to society. This means funding projects that deliver the greatest benefits relative to the counterfactual where no government funding is received. In this assessment, the additionality score reflects the extent to which a project delivers additional benefits above what would have occurred in the absence of IETF funding. Here we are looking for you to explain why your project would not be able to go ahead without HMG support, and what would occur in the case that it did not.</i></p> <p><i>If you can prove or justify your answer through the provision of wider documentation, please consider attaching further evidence in this section. Failure to provide any supporting evidence to substantiate claims may result in a lower assessment score.</i></p>

Criterion	Questions Asked	Scoring Guide
	<p><i>To understand the extent to which potential IETF funding overlaps with wider Government support, and thus maximise the benefit of Government spend, we would like to ask some further questions about the interactions with any existing or intended wider support. These answers will be checked and assessed throughout the assessment process.</i></p> <ul style="list-style-type: none"> <li>• Is the site (installation or sub installation) that is the focus of this application registered under the UK Emissions Trading Scheme? If yes, you will be asked supplementary questions to explain how the IETF project goes above and beyond existing commitments.</li> <li>• Is the site (facility) that is the focus of this application registered under the CCA scheme? If not, are there plans for this site (facility) to register under the CCA scheme in the future? If yes, you will be asked supplementary questions to understand the assumptions on CCAs utilised within your internal investment decision process.</li> <li>• If your project relates to CHP equipment, do you expect to apply for the support available through the CHPQA scheme? If yes, you will be asked supplementary questions to explain how the IETF project goes above and beyond existing</li> </ul>	<p>The additionality case will be reviewed in the first instance at the assessment stage. Please endeavour to answer these questions as comprehensively as you can, evidencing claims and ensuring that you have a consistent argument. If you are successful, the claims made in your initial application may also be reviewed as part of the due diligence stage by commercial experts in DESNZ. This review will focus on the financial information you have provided to support your application, and involve checks (at the discretion of DESNZ) to verify the claims made. Due diligence can complete more quickly, and you can begin your project sooner, if you provide all of the evidence requested in the application form.</p> <p>A good answer to these questions will clearly outline the barriers currently stopping the project from going ahead, how HMG funding can overcome those barriers, and what would occur if HMG funding were not received.</p> <p>We would expect answers to outline how any anticipated changes in operational costs from the decarbonisation measure have impacted on the attractiveness of the investment decision. We do not prescribe the use of specific energy prices or other operational costs for your analysis, but we ask you to be transparent about the assumptions you have made and to note any</p>

Criterion	Questions Asked	Scoring Guide
	<p>commitments. If your grant amount requested is <math>\geq</math>£5m, you must ensure the benefit from CHPQA is clearly shown in your business case outlining the need for IETF support (in you scenarios with and without IETF funding). You will be scored down if this is not evidenced. If your grant is below £5m, your application would also benefit from outlining the above.</p> <ul style="list-style-type: none"> <li>• Please identify which alternative sources of government investment incentives you utilise, or plan to utilise, if any, and why these are insufficient or inappropriate to support the scope of your IETF proposal?</li> <li>• You will also be asked about how alternative government incentives have impacted your assessment of the energy (operational) costs of your project.</li> <li>• Please provide an explanation of how you will secure the necessary match funding for the elements of the overall, and eligible project costs. Where appropriate please provide evidence to demonstrate that the sources of funding as stated in the application have been secured, for example,</li> </ul>	<p>uncertainties. In your supporting evidence it may be appropriate to provide a sensitivity analysis using different potential scenarios for your energy prices (for example, low, central, and high estimates). This might mean the different scenarios have different internal payback rates, some of which may meet your firm’s payback threshold. You will need to rationalise in your application why you believe the operational costs you have used are most appropriate for your site.</p> <p>To note, some of the questions in the application form have been paraphrased within this document to ensure clarity and streamline the document. The full questions are outlined in the application form.</p>

Criterion	Questions Asked	Scoring Guide
	<p>internal documents confirming this match funding, or documentation from a private financier.</p> <p>For sources of funding that have not been secured, evidence should be provided to demonstrate the stage of negotiation in obtaining the funding.</p> <p><b>Additional questions for projects with grant £5m+:</b></p> <ul style="list-style-type: none"> <li>You must provide the business case underpinning your assessment of the need for a government grant. This should outline the planned IETF project with and without Government support, explicitly referring to a counterfactual in which no IETF funding is received. The business case presented should be consistent with the rationale provided on why you need IETF support to facilitate this investment. In particular, the impact of CHPQA support for those benefitting from it, must be clear in the business case. Provision of poor evidence will result in lower scoring.</li> </ul> <p>This business case <b>must</b> include the following information:</p> <ul style="list-style-type: none"> <li>The investment metric utilised to make this decision, for example, a discounted cash flow, internal rate of return, net present values, wider payback calculations, internal carbon price.</li> </ul>	

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>• Evidence that demonstrates the investment appraisal methodology and metric is in line with usual Group processes. This could be the Group investment appraisal manual.</li> <li>• The assumptions and methodology underpinning your investment decision, this may be in the form of a model, comparing the costs and benefits accrued over the lifetime of the IETF project versus the costs and benefits accrued over the same period if the IETF project did not go ahead (the counterfactual).</li> <li>• This should include the assumptions used in forecasting the costs and benefits of the project, including expected energy prices and interactions with other subsidies/costs implied by the ETS or other government support.</li> <li>• Please outline your sources of match funding. If you are using third party financing which incurs a cost (for example, interest) please outline the assumptions you have made about the costs of securing the required match funding. If your project does not meet your company threshold for investment even with IETF support, you must explain why this would still be approved internally.</li> <li>• Outline how uncertainty has been reflected in your analysis.</li> </ul>	

5.4.2 Transformational Assessment

Criterion	Questions Asked	Scoring Guide
<p>Net Zero Compatibility</p>	<ul style="list-style-type: none"> <li>• Please provide a technology justification statement, explaining why you have chosen this technology as the best option for your project.</li> <li>• Explain how your project fits into your site and business' wider plans for Net Zero. Outline what other changes you expect to carry out to both the production process where the project is being applied, and the site as a whole, in order to meet Net Zero, and how this project aligns with those plans.</li> <li>• State what percentage of both your site and process greenhouse gas emissions will be removed by implementing this project, providing evidence to justify your answer.</li> <li>• You are strongly encouraged to submit supporting information (see examples below).</li> </ul>	<p>We are looking for you to outline how you are proposing to decarbonise your industrial processes in line with the UK Government's commitment to Net Zero, and how this project fits into those plans.</p> <p>Good answers will outline clearly, with evidence:</p> <ul style="list-style-type: none"> <li>• Why the technology option you have chosen is the most appropriate to support the decarbonisation of your site. A good answer will demonstrate how the project will avoid lock in and show genuine commitment to a Net Zero ambition, not simply the ambition to make processes more efficient or profitable as well as the technical constraints to undertaking decarbonisation works at this point in time.</li> <li>• How this project aligns with your site and business-wide plans to decarbonise.</li> <li>• How you are ensuring that you avoid locking-in a technology that is not compatible with Net Zero.</li> <li>• The extent to which this project will have a positive (transformational) impact on the overall emissions</li> </ul>



Criterion	Questions Asked	Scoring Guide
		<p>generated across the site, or the specific industrial process.</p>
<p>Replicability and Scalability</p>	<ul style="list-style-type: none"> <li>• Provide an outline of how the proposed technology could be replicated and/or scaled across your own site(s), sites within your sector/other UK sectors or, internationally. Please explain whether, why, and to what extent, the costs and risks associated with the technology will reduce following your investment. Please justify your answer.</li> <li>• Within commercial constraints, outline plans to disseminate decarbonisation information and lessons learned from this project. Please justify your answer.</li> <li>• You are strongly encouraged to submit supporting information, where possible.</li> </ul>	<p>We are looking for an explanation of the perceived opportunities for replication or scalability of the project, and for you to outline how you plan to share or make use of any learning.</p> <p>A good answer will include, but is not limited to, an explanation of:</p> <ul style="list-style-type: none"> <li>• The opportunities for replicability and scalability at the site, sector and cross-sector levels.</li> <li>• How demonstrating the technology at your site can help to reduce costs and risks that could act as barriers to wider adoption (by yourself and/or others).</li> <li>• Any limitations or commercial constraints on replicability and scalability that exist, and how you intend to maximise your potential against this criterion within these constraints.</li> <li>• How the project will be used in your Net Zero messaging to site staff, the wider business and sector.</li> <li>• How you will support the building of a knowledge base that fits within business circumstances, such as</li> </ul>

Criterion	Questions Asked	Scoring Guide
		<p>speaking at conferences or sharing information with trade associations.</p> <p>It is recommended that you work with your suppliers/supply chain to develop the answers, paying particular attention to those questions asking for replicability outside of the business or sector.</p>
Novelty	<ul style="list-style-type: none"> <li>• Within your sector or wider industry, are you an early mover in adopting your chosen technology solution? As appropriate, please provide evidence of whether the technology solution is used elsewhere and/or how your proposal might exceed established best practice.</li> <li>• How might your project drive technology development (increasing the TRL level) or improve the commercial prospects and market understanding of the viability, costs, risks and benefits of the technology solution?</li> <li>• You are strongly encouraged to submit supporting information (see examples below).</li> </ul>	<p>Decarbonisation projects must have a TRL of 7 or above. We are looking for you to demonstrate how novel your project is. One of the objectives of the IETF is to bring down the costs and risks associated with investing in decarbonisation technologies and as such we are keen to support early movers.</p> <p>A good answer could include, but is not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Any evidence of the current uptake of the technology solution within your sector or wider industry.</li> <li>• Any evidence that your plan for the design, implementation, and operation of the technology solution goes above and beyond existing best practice for your sector or process.</li> <li>• A description of how your project could improve commercial prospects and market understanding of</li> </ul>

Criterion	Questions Asked	Scoring Guide
		<p>the viability, costs, risks and benefits of the technology solution (perhaps with reference to increasing TRL).</p> <p>In the event that you might not be able to explain how widely used a technology is, we would suggest working with your supply chain to establish this answer as they are likely to know how novel this application is.</p> <p>Technology solutions that are less established, in terms of their TRL level and/or in terms of their usage in your industry, would score higher than fully mature, widespread technologies.</p>

### 5.4.3 Deliverability Assessment

Criterion	Questions Asked	Scoring Guide
Project Plan	<ul style="list-style-type: none"> <li>• With the help of a Gantt chart, please show the project plan including work packages, milestones and deliverables.</li> <li>• Give a brief overview of each work package, including the responsible owner, expected costs and timelines of each.</li> </ul>	<p>We are looking for you to identify and describe the specific actions, milestones and deliverables associated with the project. A good answer will have a clear and detailed Gantt chart, detail deliverables and any interdependencies between tasks, discuss the project management strategy and provide details relating to specific contents of individual work packages.</p>

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>• Describe how will the project be managed, outlining any major tools and mechanisms you will use to get a successful project outcome.</li> <li>• Describe what level of contingency (with regards to personnel, timescales etc.) has been allocated within the project and why.</li> <li>• Outline any project dependencies, lead-in times, assumptions or decision-making timescales.</li> <li>• Describe the resources, equipment and facilities needed for the project and how you will access them.</li> <li>• To support your answer, you must submit a project plan (Gantt chart).</li> </ul>	
Project Team	<ul style="list-style-type: none"> <li>• Outline the project team structure, including the roles, skills and experience of key members and personnel, how their skills and experience will help deliver the project.</li> <li>• Where subcontractors will be employed as part of the project, please describe their roles and expertise, how they are essential for the effective completion of the project and how they will be managed.</li> </ul>	<p>A good answer will identify the skills and experiences of in-house staff who will be working on the project and how this relates to the project. A good answer will also describe how the project team will be managed, segregation of duties and include an organogram of the key members of staff, including their role and responsibilities. Where subcontractors are being used, you should explain why their work could not be covered by internal resource, why the chosen subcontractor has been selected, and</p>

Criterion	Questions Asked	Scoring Guide
	<ul style="list-style-type: none"> <li>You are strongly encouraged to submit supporting information (see examples below)</li> </ul>	<p>how their skills and expertise will ensure the successful completion of the project.</p>
<p>Risk Management</p>	<ul style="list-style-type: none"> <li>You must upload a risk register, taking care to include project risks associated with the technology, delivery, project team and financing of the project.</li> <li>In addition, please describe in detail the three main challenges associated with delivery of the project and how these will be mitigated.</li> <li>Give a brief overview of the risk management process that will be associated with the project, including how new risks will be added and managed.</li> <li>Outline if there are any key health, safety and environmental risks associated with delivering the project, and if so, how will these be overcome. Please include details of any permitting that will be required for this project.</li> <li>To support your answer you must submit a risk register.</li> </ul>	<p>The key risks associated with the project should be identified from a range of sources (e.g., technical, delivery, sourcing equipment and materials, project team, financing), with these evaluated in the risk register for their likelihood, impact and resulting potential severity. A good answer will present strong mitigation actions to the key risks, showing how far these actions go to reducing or managing these risks. A strategy should be described for how risks will be managed during the project.</p>

Criterion	Questions Asked	Scoring Guide
Project Costs	<ul style="list-style-type: none"> <li>• Please fill in and upload the finance form. The form captures the quantified costs of your project and the grant value you are seeking. Please ensure information you provide here is consistent with the information provided in the application form.</li> <li>• Please describe how you have arrived at the cost estimates provided in the finance form. This should include as a minimum:                             <ul style="list-style-type: none"> <li>○ Details on whether you have secured quotes, or how you have otherwise ensured the estimates are reasonable, particularly in cases where one-off material and capital costs exceed £10,000.</li> <li>○ If you are using subcontractors, a justification and a breakdown of how costs have been estimated for each subcontractor.</li> <li>○ A description of the steps you have taken to minimise costs to ensure that this project represents value for money for the taxpayer.</li> </ul> </li> <li>• You must submit supporting information (please see examples below). If your project includes</li> </ul>	<p>We are looking to see that you have a clear grasp of the costs of the project including supporting evidence to justify the stated costs. We also want to ensure that you are claiming an amount of grant that represents value for the public purse. You will be scored based on the strength of the evidence and justification for the stated costs and the need for the amount of grant support requested. We would expect to see more detail for larger projects and one-off costs. Please ensure your estimates are as accurate as possible, taking into account the likely start date of your project, and include any assumptions you have made (for example, around inflation).</p> <p>Where subcontractors are used we would expect you to include a breakdown of the activities and costs that the subcontractor will be undertaking, or as much detail as you are able to at the current time, as well as details of any tender process you have or expect to carry out. Higher marks will be awarded to applications where the project costs are entirely appropriate and represent excellent value for money and the partners have a clear idea of how they will finance their contribution. The balance of costs and grants between partners and the use of subcontractors is well justified and reasonable for the proposed project.</p>

Criterion	Questions Asked	Scoring Guide
	subcontractor costs, please upload a clear breakdown.	

Evidence that may be used to support your answers could include (but is not limited to) the following:

Question	Evidence
PBC	<ul style="list-style-type: none"> <li>• Feasibility or Engineering /FEED study report (mandatory for projects with grant <math>\geq</math>£5m)</li> <li>• Diagram/schematic showing all relevant pieces of equipment, mass/energy flows &amp; project scope boundary (e.g. Block Flow Diagram, Process Flow Diagram, Piping &amp; Instrumentation Diagram etc).</li> <li>• Calculations showing how the counterfactual and the savings were calculated, including a list of assumptions and evidence to support them.</li> <li>• Meter data or energy bills showing current energy/emissions for counterfactual</li> <li>• Evidence/discussion on previous activities undertaken related to the project prior to the application.</li> <li>• Physical plant layout/schematic</li> <li>• Equipment list</li> <li>• Evidence underpinning assumptions in calculations.</li> </ul>
Technical Risk	
Additionality	<ul style="list-style-type: none"> <li>•</li> <li>• Business case outlining discounted cash flow analysis with and without IETF support, including information on internal investment hurdle rates, payback calculations and associated assumptions (mandatory for projects with grant <math>\geq</math>£5m).</li> <li>• Evidence of fuel or operating costs, pre and post deployment.</li> <li>• Evidence outlining the funding gap (i.e., the difference between what you can fund without HMG support and the cost of the project).</li> </ul>

Question	Evidence
	<ul style="list-style-type: none"> <li>• Comparison of IETF-supported project versus a smaller scale or delayed project, including costs, outputs and what they deliver.</li> <li>• Evidence of attempts to raise private finance.</li> <li>• Information on your finances to explain your case for assistance, for example, profit and loss analysis or balance sheet analysis. This may be relevant if your additionality case is predicated on limitations in internal funds.</li> <li>• Clearly defined calculations outlining the need for a grant that can be easily reproduced, for the counterfactual and post-IETF intervention scenario.</li> <li>• Provision of an investment appraisal manual and/or set of criteria for appraising Group projects.</li> <li>• Provision of sensitivity analysis on key variables within calculations, for example, energy prices.</li> <li>• An explanation of how assumptions underpinning key variables have been derived.</li> <li>• Evidence to support your answers should be the same documents that are ultimately put forward to your own decision-maker for the project.</li> </ul>
Net Zero Compatibility	<ul style="list-style-type: none"> <li>• GHG Savings Calculations including a list of assumptions (with better marks available for linking to evidence that underpins the assumptions)</li> <li>• Net Zero Roadmap</li> </ul>
Novelty	<ul style="list-style-type: none"> <li>• Any evidence that indicates the level of adoption of the technology solution within the sector or wider industry.</li> </ul>
Project Team	<ul style="list-style-type: none"> <li>• Team Member CVs</li> </ul>
Project Costs	<ul style="list-style-type: none"> <li>• Quotations (Both for applied for costs, and quotations received during tendering process)</li> <li>• from suppliers/subcontractors, letters of intent, or an explanation of the assumptions used for internal estimates of resourcing, capital and material costs.</li> </ul>



## 6.0 After Submission

### 6.1 Eligibility Checks

We will first undertake an eligibility check to ensure your proposal meets all the relevant eligibility criteria as set out in this guidance and the technology is in scope.

At any stage in the process DESNZ may, at its sole discretion contact you to clarify any applications (or parts thereof) which are unclear, contain genuine mistakes, gaps, minor omissions or in relation to ambiguous responses to questions. Please engage in a timely manner with requests from DESNZ for clarifications. Your assistance in this process supports faster decision making.

However, DESNZ is not under any obligation to further clarify information provided in applications. Where any application is not complete or is inconsistent, vague, or ambiguous, DESNZ may consider the application on the basis of the interpretation or meaning that may not align with the applicant's intended meaning, and / or consider the application as not compliant with the rules of the fund and reject / disqualify it on the basis of the inconsistency/vagueness/ambiguity of information provided in the application.

### 6.2 Assessment and Award Process

Applications which are deemed eligible and are in scope will proceed to the initial assessment stage, where each application will be scored on its individual merit. Within each competition strand, projects which pass the minimum threshold for each assessment criterion will be ranked and considered by the DESNZ Grant Award Panel, who have the discretion to recommend funding.

The assessment and award process is as follows:

1. Applications are allocated to assessors in a secure and confidential manner, taking into account the assessors' expertise that best match the funding application and avoiding any conflicts of interest.
2. Applications for the same strand are assessed against the same set of scoring criteria. All applications are assessed on individual merit.
3. Each application is marked by three assessors. Each assessor will submit their scores with comments for each application. Scores are then reviewed and moderated. This will inform the application feedback.
4. For projects with a grant request  $\geq$ £5m, DESNZ will have the discretion to request a call with applicants. This call will be used to capture information on any areas of your application that require clarification and/or could impact on the decision on whether to

fund your project as set out in section 5.2. The meeting will be virtual and representatives from the IETF team will be present during the meeting.

5. After assessment, a ranked list of projects, based on scores, will be reviewed by the DESNZ Grant Award Panel. DESNZ officials will submit a list of recommendations to DESNZ ministers for a final decision, based on the panel's advice.
6. Projects which are approved for funding by the Minister at this initial assessment stage will be required to successfully pass all due diligence checks and complete all required pre-award processes to DESNZ' satisfaction before a Grant Funding Agreement can be issued. See Section 6.6.

DESNZ are looking to fund a portfolio of projects. In the event of oversubscription for a particular strand, DESNZ may adopt a portfolio approach which is intended to make sure the IETF has a diverse and balanced spread of projects, tailored to meet the fund's objectives. In the event of oversubscription for a particular strand, it is possible that an application that received lower assessors' scores may be recommended for funding over others in order to achieve a more balanced portfolio of projects. This would involve considering the following variables:

- geographical areas
- technologies
- industrial sectors
- organisation sizes
- project sizes
- site type (clustered and dispersed sites)

## 6.3 Assessor Confidentiality and Potential Conflicts of Interest

Assessors may comprise DESNZ employees and external experts contracted by and acting on behalf of DESNZ. External assessors working for DESNZ are engaged as individuals, not as representatives of their employer. An assessor must scrutinise the applications themselves and cannot ask anyone else to review an application in their place. Assessors will be briefed by DESNZ to undertake assessments according to DESNZ requirements and in accordance with IETF criteria.

All assessors will adhere to confidentiality requirements and must declare any potential conflicts of interest. They will treat applications in the strictest of confidence and adhere to relevant data protection rules. DESNZ will not disclose the names of assessors to applicants.

## 6.4 Notification and Feedback

You will be notified by email from DESNZ as to whether your application has passed the initial assessment stage.

This notification does not guarantee funding. The agreement and valid execution of the Grant Funding Agreement will remain subject to successful completion of due diligence checks and completion of all required pre-award processes to DESNZ satisfaction. If you are the lead applicant, you should ensure any project partners know of the initial decision. The decision on the initial assessment stage is not subject to a right of appeal.

Assessor feedback will be provided by email to all applicants, regardless of whether or not you have passed the assessment stage. This can take up to four weeks after you are notified of the initial decision. Feedback is made up of a summary of the comments provided by the assessors and is intended to be constructive but not exhaustive. There is no right of appeal against the feedback provided and we will not overturn the funding decision should you disagree with a scientific or technical decision that DESNZ makes regarding your application.

You may wish to address any previous assessor feedback if you are resubmitting an application from a previous round of the IETF, should you be eligible. Please note that resubmissions may be reviewed by different assessors who will have no prior knowledge of the original application or its feedback. However, it is likely that a re-submitted proposal will not be successful unless changes have been made to address weaknesses in the original application.

## 6.5 Due Diligence

Applications that are successful at the initial assessment stage will need to undergo financial and organisational due diligence checks, which will be carried out by DESNZ, before any grant funding can be confirmed. You may be asked to provide further details to enable DESNZ to complete the checks required at the due diligence stage and before your Grant Funding Agreement can be signed. You must be willing to dedicate sufficient resource to assist in completing this process. If further information is requested, you will need to return this information promptly and promptly, no later than four weeks after being notified.

The purpose of these due diligence checks includes, but is not limited to, confirmation of:

- The final amount of the award, which must be the minimum necessary for the project to proceed.
- Deployment projects will be required to produce a benefits monitoring and verification plan (M&V Plan) on the basis of guidelines provided and agreed by DESNZ. The final award amount may also be subject to whether, on review of the M&V Plan, serious or material issues as to the scale or likelihood of achieving the benefits projections calculated during the assessment stage are identified. The M&V Plan is part of the

Grant Funding Agreement for deployment projects. For further details, see the [Benefits Monitoring](#) section.

- The reason why you need public support to proceed with the Project and why it could not proceed in the absence of public support.
- The support being compatible with relevant subsidy control limits and regulations that apply to your project.
- The existence of a financially and business credible alternative option (or counterfactual argument) to act as a baseline for comparison of benefits. Subsidies cannot be awarded to projects or activity that would have been funded in any event.
- Your project costs meeting the definition of eligible costs as set out in section 4.2 of the guidance.
- Lead applicants that come within scope of Article 10 of the Windsor Framework will undergo an organisation or undertaking in difficulty test.
- The satisfactory financial standing of you, the applying business, and of your parent company (if you have one) and your ability to finance the project.

As part of the application process, you will also be asked a number of questions in relation to, but not limited to, criminal offences, potential conflicts of interest, labour law, and social and environmental obligations. Please note, we reserve the right to fail an application in the following circumstances:

- Failure to fully and accurately complete the questions; and / or
- Where the answer is “Yes” to any of questions. However, in such instances, we may decide (at our absolute discretion), having considered the supporting information provided, to allow the application to proceed further.

If there are grounds for exclusion, there may be an opportunity for applicants at the due diligence stage to further explain the background and any measures they have taken to rectify the situation. The information provided may also be used to brief Monitoring Officers on the scope and details of the project and how it performed at assessment, where these details are necessary for them to carry out monitoring duties effectively.

At the due diligence stage, you will also be asked to provide a parent company guarantee from your ultimate parent company (as determined by DESNZ), where you have a parent company, or alternative security if no satisfactory parental guarantee is available. Please see Section 4.9.

DESNZ reserves the right to reject your application if the requirements of the due diligence checks are not met or if the checks identify any discrepancies with the information provided that are deemed unacceptable. We may also decide against awarding you funding, or suspend grant payments, if we deem that you have failed to meet the requirements of any funding agreement for a current or previous public funding award.

## 6.6 Grant Funding Agreement

If you have passed the due diligence checks and provided all information required as part of the pre-project set up processes (for deployment projects this includes the M&V Plan as set out in Section 7.6) to DESNZ' satisfaction, you will be issued a Grant Funding Agreement which you must sign and return to DESNZ within the timeframe set out in the Grant Funding Agreement (usually within 4 weeks after receipt of the Grant Offer Letter).

An example draft of the Grant Funding Agreement can be found on the [IETF competition page](#). Please note that this document is an example and provided for information purposes only. The final document that successful applicants will be required to sign may differ from this example, including but not limited to, provisions relevant to individual projects.

The terms of the Grant Funding Agreement are final and not negotiable. If you refuse to agree to the terms of the Grant Funding Agreement, or unduly delay the signing and returning of this document, DESNZ may withdraw the Grant Funding Agreement. You will need to ensure ongoing compliance with conditions contained in the agreement to the satisfaction of DESNZ in order to receive funding

Before the signature of the Grant Funding Agreement, DESNZ will not be responsible for, nor make any commitment in respect of, costs incurred.

### **Collaboration Agreements**

If your application is successful, and you are undertaking the project with project partners, you will be required to sign a collaboration agreement with your project partners. This will need to be in place before you can sign your Grant Funding Agreement with DESNZ. If there are exceptional circumstances which means this cannot be achieved, DESNZ will consider these on a case-by-case basis. In such exceptional circumstances, where explicitly agreed with DESNZ, the collaboration agreement may be signed as soon as reasonably practicable, and in any event, no later than the first grant payment milestone. No payments against the grant will be made until the collaboration agreement is signed and provided to DESNZ. DESNZ reserves the right to review the collaboration agreement before issuing the Grant Funding Agreement to ensure it meets the necessary mandatory requirements. Further detail of the requirements will be provided if you are successful, however as a minimum your Collaboration Agreement must include:

- conditions which confirm all project partners have read the Grant Funding Agreement, agree to comply with all relevant requirements, and will use all reasonable endeavours to ensure that the collaboration does so;
- procedures for resolving disputes arising between the project partners;
- confirmation that the project partners will provide to DESNZ, and where appropriate other public authorities, information and evidence as to their compliance with the

requirements of the Grant Funding Agreement and allow DESNZ to inspect their premises for that purpose;

- confirmation that the project partners may be required to repay the grant and interest to DESNZ in certain circumstances;
- an agreement by the project partners to indemnify the lead applicant (as grant recipient) against the lead applicant's liabilities under the GFA.

The consortium as a whole must comply with the requirements of the Grant Funding Agreement. You will be fully responsible for ensuring that all other consortium members comply with those requirements.

## 6.7 Publicity

DESNZ may wish to publicise the results of the competition which could include engagement with media. At the end of the application and assessment process, DESNZ may issue a press release or publish a notice on its website. These may, for example, outline the result of the competition and describe the projects to be funded. As part of promoting the IETF, if you are successful, you will be required to provide a short overview of your project, including photographs and quotations.

Applicants are not to publish any outcome of this competition without DESNZ express permission. DESNZ reserves the right to disqualify or reject any applicant that breaches this requirement. If you have any queries about public relations or media coverage email [ietf@energysecurity.gov.uk](mailto:ietf@energysecurity.gov.uk).

## 7.0 Project set up and Monitoring

### 7.1 Project Set up

You will be assigned a Monitoring Officer (MO) at the start of your project. Your MO will help to make sure your project complies with our terms and conditions. They are not responsible for project management. More details will be provided if your application is successful.

Deployment projects will be required to produce a benefits monitoring and verification plan (M&V Plan) on the basis of guidelines provided and agreed by DESNZ. Further detail is included below.

### 7.2 Change requests

The IETF has a Change Request Process in place that will be used to handle any necessary changes put forward by the beneficiary post-notification. Changes will only be considered if they are essential to the project, do not represent a significant change in scope and do not result in the project failing any of the eligibility requirements for the scheme. The Grant Amount will not increase as the result of any approved change requests, but may decrease if a project change leads to a decrease in eligible costs.

Any situations where there has not been an intentional project change but costs or timings are now different (e.g. the cost of a piece of equipment has decreased) should be reported to the project Monitoring Officer and will be dealt with on a case by case basis.

### 7.3 Claims and Auditing

Throughout your project you will need to provide evidence of ongoing compliance with the terms and conditions of your grant offer, in order to receive payment against the costs that you incur. This will be done primarily through quarterly (or more frequent) review meetings with your MO and may involve site visits by DESNZ and its agents or its contractors.

Costs are only eligible if they are incurred and paid by you between the project start and end dates and as set out in the Grant Funding Agreement. When determining your project start date you should factor in the time required for assessment and due diligence of your proposal. Claims may be subject to an independent audit. You must submit an independent accountant's report (IAR) with your final claim. Such reports may also be requested at other times.

Payments against the grant should be claimed in arrears on a disbursement basis, once you have defrayed the amount according to the profiles contained in your Grant Funding Agreement and have provided the required reports and evidence to support your claim. Once

audits and reports are complete and approved, the claimed funds will be released to the lead applicant. You must provide evidence to support each claim made against the grant. All IETF funding for Phase 3 projects must be spent by March 2028.

Claims must be paid into an account in the name under which you have applied. Your banking provider must have a clearing facility and must be authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

If your banking provider does not have a clearing facility, we can still accept it if it is not subject to sanctions and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

Even if DESNZ has paid you grant payments before, we may request some further details. You can provide these alongside your signed Grant Funding Agreement.

## 7.4 Longer term Monitoring and Verification

Successful deployment projects will need to meet longer term monitoring requirements for a period of five years post project completion, or longer, where applicable, as agreed in the Grant Funding Agreement. Project completion is typically the point when you have installed and begun to operate (or are ready to operate) the technology, although the exact date of 'project completion' for monitoring purposes is subject to agreement with the allocated Monitoring Officer acting on behalf of DESNZ. A delay of up to 6 months in the official monitoring period may be permitted to allow for calibration of the technology at your site.

If the project involves a site relocation which occurs after project completion, then it may be necessary to suspend this monitoring period, this is again subject to agreement with DESNZ and ultimately at our sole discretion. DESNZ expectation is that the site relocation and construction/commissioning at the new site would occur in the shortest possible time so that the IETF project monitoring period can resume as soon as possible.

Longer term monitoring comprises compliance monitoring and benefits monitoring (which also includes evaluation). Compliance monitoring is a continuation of the project set up monitoring, ensuring continuing compliance with the terms and conditions of the IETF. Benefits monitoring is intended to evaluate the longer-term success of project interventions in achieving their and DESNZ goals, and to inform the overall assessment of IETF as a policy intervention.

In exceptional and limited circumstances, projects may be granted extensions to project milestones. In such cases the length of the longer-term monitoring may be extended accordingly. This is explained further below.

### 7.4.1 Benefits Monitoring (longer term)

The IETF is committed to longer term monitoring and evaluation of the benefits of the scheme. In order to achieve this, successful deployment projects will be required to produce



an M&V Plan and then to supply data in line with that plan for five years after 'project completion' (as defined in Section 7.4). If the project involves a site relocation which occurs after 'project completion', then it may be necessary to suspend this monitoring period, this is again subject to negotiation with DESNZ and ultimately at our sole discretion.

This plan must include:

- a methodology for calculating the "counterfactual" energy consumption of the process (per fuel) via an appropriate measurable metric (e.g. natural gas consumption or MWh of electricity used);
- a methodology for calculating the "counterfactual" emissions of the process (excluding energy consumption);
- how you will monitor and provide data on the benefits after the intervention, including but not limited to actual energy, emissions and bill savings;
- the methodologies you will use to verify the savings, including how changes in benefits data due to IETF (e.g. energy consumption, emissions, bill savings) will be isolated from other non-IETF changes to your production process that may occur during the reporting period;
- who will be responsible for measuring and verifying savings and on what timelines the data will be provided to DESNZ
- a description of the process and a diagram outlining the measuring components and flows in/out of the Process Envelope.

Your M&V Plan will need to be in place before you can sign your Grant Funding Agreement with DESNZ, on the basis of guidance provided by DESNZ, and is subject to approval by DESNZ. If there are exceptional circumstances which means this cannot be achieved, we will consider these on a case-by-case basis. In such exceptional circumstances, where explicitly agreed with DESNZ, the M&V Plan may be put in place as soon as reasonably practicable, and in any event, no later than the first grant payment milestone. No payments against the grant will be made or due until the M&V plan is in place and provided to and approved by DESNZ. If you are successful at the initial assessment stage, DESNZ will provide further guidance when you are notified.

Your M&V plan must include "counterfactual" data against which the project performance will be measured. This plan will involve long-term monitoring of the performance of the intervention using your suggested methodology, which will be verified by technical monitoring officers appointed by DESNZ. Your final plan is subject to approval by DESNZ as it is imperative that it is fit for purpose. DESNZ reserves the right to reduce, or withdraw, the grant offered should, on review of the M&V Plan, it identifies serious or material issues as to the scale or likelihood of achieving the benefits projections calculated during the assessment stage.

The M&V plan must clearly identify how the data required by your methodology will be measured and collected, including the specific meters and their locations within the industrial

process which will be used (see [Metering Requirements](#) below). You will need to measure and provide all data specified by your methodology to DESNZ no less than every six months (specific deadlines will be agreed within the M&V plan) accompanied by a small number of additional data items requested (which may vary in each reporting period). DESNZ will use this data for the purposes of evaluation of the IETF against its objectives and calculating societal return on investment from the fund. As part of your application, you must confirm that you are able to designate sufficient resources to longer term benefits monitoring and verification.

It is a requirement of your participation in the scheme that you shall revise the M&V Plan if at any point during the monitoring period a significant factor arises which the current version of your plan does not adequately adjust for. Such factors should be reported to your Monitoring Officer who will consider the relative magnitude of any effects and therefore the proportionality of requiring a revision. Projects which incorporate a site relocation should especially expect to need to revise their M&V plans via this process due to the high likelihood that the site relocation will introduce significant factors which will need adjusting for.

Applicants, including unsuccessful applicants, for either studies or deployment projects may be requested to participate in research to help DESNZ evaluate the performance or delivery of the IETF. Successful applicants will be required to participate and are expected to constructively engage with evaluation activity, as this is an important for DESNZ to deliver effective projects now and in the future. Evaluation research may include participating in a small number of interviews to inform evaluation reports, completing surveys or allowing the project to be used for case studies.

#### 7.4.2 Metering Requirements

In your application you will need to outline what metering equipment you have in place or plan to install as part of your project, to meet your longer-term compliance and benefits monitoring obligations as set out above. The type of equipment will depend on the technology you are using and the associated information that you are required to provide.

If you do not have sufficient metering equipment already, you will need to install appropriate equipment at point-of-use (be it a production line, process, installation, or site which is benefitting from the intervention). Ideally the equipment should remain the same between the baseline period and the monitoring period. Successful applicants will be required to have a digital meter able to communicate data on use and consumption remotely.

You will need to outline any metering requirements as part of your application. Metering equipment is considered an eligible cost and you may therefore include it in your application for grant funding. However, any additional metering requirements will need to be justified in your application, with reference to currently installed systems and why these are not sufficient.

### 7.4.3 Compliance Monitoring (specific technology rules)

All deployment projects will need to provide ongoing evidence that they have complied, and are continuing to comply, with the terms of the grant. Some deployment projects will also need to provide evidence of ongoing compliance with technology eligibility criteria. This data will usually need to be collected on a continuous basis and reported to DESNZ every six months, for a period of up to five years after project completion. The definition of project completion is outlined in Section 7.4. Additional data reporting applies for the specific technologies listed below. Full terms of the compliance monitoring regime will be agreed in your Grant Funding Agreement.

#### **Biomass: Compliance monitoring**

Projects must provide:

- Evidence to confirm alignment with schedule 3 of the Renewable Heat Incentive Scheme Regulations 2018, including information to demonstrate that the lifecycle greenhouse gas emissions associated with each consignment of biomass fuel are less than or equal to 34.8g of CO<sub>2</sub> per MJ of heat generated.
- Where applicable, receipts of purchase or unique identifiers that demonstrate the biomass fuel is being supplied from a sustainable source on either the Biomass Suppliers List or Sustainable Fuels Register.
- Evidence that the site holds all relevant environmental permits. Further monitoring requirements and obligations will be detailed in the Grant Funding Agreement.

Further monitoring requirements and obligations will be detailed in the Grant Funding Agreement.

#### **Biogas and biomethane: Compliance monitoring**

Projects must provide:

- Evidence to confirm alignment with schedule 3 of the Renewable Heat Incentive Scheme Regulations 2018, including information to demonstrate that the lifecycle greenhouse gas emissions associated with each consignment of biogas or biomethane fuel are less than or equal to 34.8g of CO<sub>2</sub> per MJ of heat generated.
- Receipts of purchase that evidence the source and supplier of the biogas or biomethane fuel.
- Evidence that the biogas or biomethane is either produced on-site or is being supplied to the industrial site through fixed infrastructure.
- Evidence that the site holds all relevant environmental permits.

Further monitoring requirements and obligations will be detailed in the Grant Funding Agreement.

## **Hydrogen: Compliance monitoring requirements and obligations:**

Projects must provide:

- Receipts and data for hydrogen fuel bill purchases and fuel supply contracts, demonstrating the supplier, compliance with the low carbon hydrogen standard and quantity consumed at site level (post fuel switch).
- Evidence that the site has an established connection to the distribution infrastructure of the proposed hydrogen supply (photographs, virtual or physical site inspections by IETF monitoring officers).
- Updated figures and evidence of the carbon intensity of the hydrogen fuel being used onsite.
- Information on any interim fuel being used (where applicable) including the fuel type, quantity used and fuel bill purchase receipts.

The following conditions also apply to hydrogen projects:

- Hydrogen projects must begin using the low-carbon hydrogen fuel identified in their application by the date stipulated in the application and subsequently agreed in the Grant Funding Agreement. This date must be within five years of project completion.
- Until such time as the fuel switch is made, projects will be required to provide the monitoring data, detailed above, relating to any interim fuel being utilised by the equipment.
- Once a site has completed the fuel switch to hydrogen, the monitoring information detailed above, relating to hydrogen, will need to be provided for the remainder of the five-year post project completion monitoring period.
- See the 'Deadline Extensions' and 'Long-term Monitoring Extensions' sections below for details of project milestone deadline and monitoring period extensions where your project experiences delays that are external and out of your control.
- Where a delay occurs, you will need to continue providing monitoring data relating to any interim fuels being used, up to the date at which the switch to hydrogen occurs or for the remainder of the five-year monitoring period.

## **CNG or LNG: Compliance monitoring**

Projects must provide the following evidence:

- Receipts of purchase that demonstrate both the quantity of compressed natural gas (CNG) or liquified natural gas (LNG) being consumed and evidence the fuel is being supplied from an identified supplier.
- Evidence to demonstrate the lifecycle greenhouse gas emissions of the CNG or LNG.

Evidence that the fuel is being transported to site through methods described in the application.

### **Carbon Capture: Compliance monitoring requirements and obligations**

Projects must provide:

- CO<sub>2</sub> capture rate at point source
- CO<sub>2</sub> quality
- Quantity of CO<sub>2</sub> captured
- Purchase receipts evidencing the utilisation customer and the quantity of CO<sub>2</sub> purchased (if appropriate).
- Payment receipts to the distribution infrastructure operator and receipts demonstrating payment to the storage site including quantity of CO<sub>2</sub> stored (if appropriate).

The following conditions also apply to Carbon Capture, Utilisation and Storage (CCUS) projects:

- CCUS projects must begin capturing CO<sub>2</sub> for utilisation or storage by the date stipulated in the application and subsequently agreed in the Grant Funding Agreement. This date must be within five years of project completion.
- Projects will only be required to provide the monitoring information detailed above from the date at which the site begins capturing the CO<sub>2</sub>.
- Once a site has started capturing CO<sub>2</sub>, the monitoring information detailed above will need to be provided for the remainder of the five-year post project completion monitoring period.
- See the 'Deadline Extensions' and 'Long-term Monitoring Extensions' sections below for details of project milestone deadline and monitoring period extensions where your project experiences delays that are external and out of your control.

## **7.5 Deadline Extensions**

For some projects, for example, fuel switching and carbon capture projects, there may be instances where you are unable to begin using the fuel identified in your application or to start capturing the CO<sub>2</sub> on the date proposed in your application. The cause of this delay could be due to external factors outside of your control. If your project experiences such delays and this renders you unable to meet specific project milestones, you will need to provide evidence to DESNZ. We will decide whether an extension to the project timeline is justified. Extensions will only be granted where they remain within the five-year monitoring period after the intended project completion date.

Scenarios in which an extension to project deadlines might be granted may include, but are not limited to:

- Hydrogen fuel switching projects: Where your project is unable to start using the hydrogen fuel on the date agreed in your Grant Funding Agreement because of delays or issues with external hydrogen production and supplies or with fuel distribution infrastructure.
- Carbon capture, utilisation and storage (CCUS) projects: Where your project is unable to start capturing the CO<sub>2</sub> on the date agreed in your Grant Funding Agreement because of delays or issues with either the end user (utilisation projects), or the CO<sub>2</sub> transportation or storage infrastructure (storage projects).
- Other projects: Where your project experiences similar delays to external infrastructure and fuel supply, these could include unforeseen delays to external fuel production or fuel distribution.

### 7.5.1 Longer term monitoring extensions

If your project is granted an extension to a project milestone, you will still be expected to provide the data required to comply with the long-term compliance and benefits monitoring for the remainder of the five-year post project completion monitoring period. If your project is granted an extension to a project milestone, you will still be expected to provide the data required to comply with the long-term compliance and benefits monitoring for the remainder of the five-year post project completion monitoring period.

If the extension granted for your project means the remaining length of the longer-term monitoring period is insufficient to provide assurance to DESNZ that the project is complying with the conditions in the Grant Funding Agreement or to provide the 10 six-monthly monitoring data returns required, DESNZ reserves the right to extend this monitoring period beyond the five-year post project completion period.

The length of the extension to the monitoring period will be limited to the length of the extension granted by the IETF to your project milestone deadline. For example, if the IETF grant you a one-year extension to your project milestone date, then the length of time the IETF can extend the long-term monitoring period would be capped at one year.

## 8.0 Knowledge Sharing

You will be expected to disseminate information on the results of your project, building on the information provided in your application. During your project and after completion, you may be asked to attend IETF promotional events and keep us updated on any knowledge sharing activities that you undertake. You must also consent to produce a case study for knowledge sharing during your project and on project completion. It will be made publicly available so should not include any commercially sensitive information. Your information may also be used to create and maintain a register of grant recipients.

## 9.0 Data Sharing Policy

Please read our [Privacy Notice](#) so you are aware of the ways in which we will use and store your personal data. When you apply, you will be asked to confirm that you have read and agreed to the policy.

All other data provided as part of your application, and (for successful projects only) generated throughout the assessment, project delivery, or 5-year monitoring period, may be shared by DESNZ with contractors, other government departments and/or the devolved administrations for purposes including, but not limited to, assessment, monitoring, research and evaluation. This data may also be linked to other datasets and/or used to publish anonymised and/or aggregated statistics. DESNZ may conduct research itself or share this data with appropriately qualified evaluation subcontractors.

# Annex A: Technological Eligibility

This annex outlines the technological eligibility criteria that your project must meet to be eligible for grant funding from the Industrial Energy Transformation Fund (IETF). Applicants should note that the eligibility criteria set out here apply to applications for both studies and deployment projects, unless stated otherwise.

The IETF is technology neutral to allow applicants to explore the most suitable technology for your site and industrial process. You should demonstrate why the chosen technology solution is appropriate, the savings it will achieve, and check that it meets the standards and eligibility criteria specified in this guidance.

In all competition strands, you are required to define your proposal as either achieving an energy efficiency or decarbonisation outcome. At deployment stage this will impact on the questions you are asked and how your proposal is assessed. We will consider:

- Energy efficiency proposals which reduce the energy consumed by industrial processes at site level, attributing benefits to both the bill savings (we anticipate most efficiency projects will have a positive payback) and any associated emissions savings.
- Decarbonisation proposals which reduce the emissions produced by industrial processes at site level. While in some cases there may be an associated energy saving this is not the key driver for the proposal and in many cases energy bills may in fact increase.

We recognise that some technology solutions may achieve both outcomes (for example the installation of a heat pump to displace a fossil fuel heat source leads to both an energy saving and an emission saving at site level). In this case it is for you to decide on what basis the strongest case is made for your project, as well as noting that this will impact on the eligibility and assessment criteria and funding rules (see below) that will apply.

Technologies must improve the energy efficiency or decarbonisation of the industrial process beyond existing standards currently required by relevant UK and international law in order to be eligible. The relevant subsidy laws and standards are subject to the location of the project. If the organisation or enterprise is located in England or Wales, the projects must comply with UK laws and standards. Subsidies provided in this competition may be subject to subsidy standards set by the European Union where the organisation or enterprise is in scope of Article 10 of the Windsor Framework. It is your responsibility to ensure you adhere to the relevant standards prior to starting your application.

## A. Technology Readiness Levels

The IETF aims to support the commercial roll out and permanent installation of technologies at industrial sites. We use Technology Readiness Levels (TRLs) to define the range of



technologies that correspond with real world demonstration and are therefore in scope for funding.

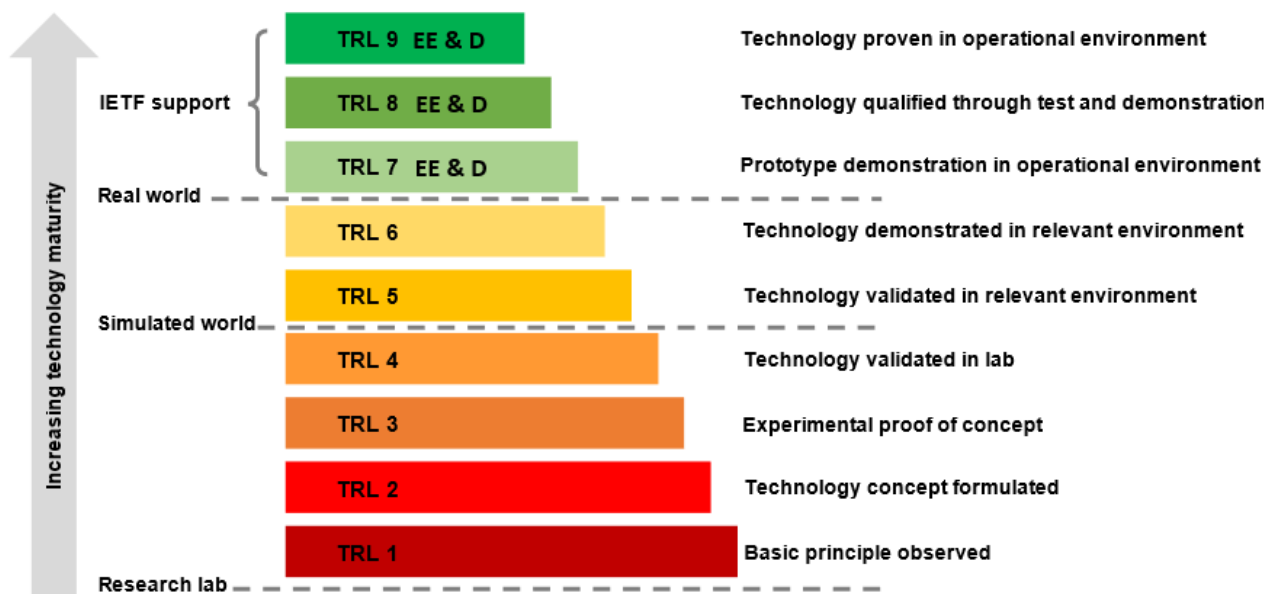
Figure A1 describes the stages of technological readiness. If your proposal falls below the eligible ranges then it may be more closely aligned with innovation, research, and development competitions such as those offered through the DESNZ [Net Zero Innovation Portfolio](#).

We expect that TRL levels will change for some technologies over the lifetime of the IETF. You will be asked to confirm and provide evidence that the technology solution(s) within your application meet the technology readiness criteria at the time of applying.

Across all competition strands (studies, energy efficiency deployment and decarbonisation deployment), technologies are required to have achieved at least Technology Readiness Level (TRL) 7 and above. This means that the technology must either:

- have been proven to work through successful operations and/or is qualified through test and demonstration
- or
- is currently at a prototype stage or requires demonstration of an actual system prototype in an operational environment.

**Figure A1: Technology Readiness Levels**



## B. Energy Efficiency Technologies

Energy efficiency technologies identified as within the scope of the IETF will be supported as either a study (feasibility or engineering) or deployment project. Below are examples of the solutions and technology types that are within the scope of the energy efficiency competition strand (but this is not a comprehensive list).

- **Process optimisation**

- Industrial process control systems (for example: discrete controllers, distributed control systems, SCADA systems and programmable logic controllers) that measure, monitor and control equipment within an industrial process to improve energy efficiency.
- Individual controllable equipment within an industrial process that also improve energy efficiency (for example asynchronous drive motors).
- Higher efficiency heat exchange, where the transferred heat is used within an industrial process on site.

- **Equipment upgrades**

- More efficient driers, ovens, kilns (including the use of microwave and infra-red heating where this is more efficient).
- More efficient combustion equipment, including installation of hydrogen ready boilers where there is an efficiency improvement.

- **Heat and energy recovery and heat pumps**

- Heat pumps that provide energy in the form of heat or cooling to an industrial process, where the heat is sourced from the natural environment.
- Energy recovery from waste heat produced in an industrial process, using heat pumps or other waste heat recovery equipment, where the recovered energy is **primarily** utilised in an industrial process on site. If there is still excess energy **after** utilisation in the industrial process, the excess energy may be used for non-industrial heat demands such as space heating of a factory building on the site. Excess energy may also be exported into a heat network however only the costs of onsite infrastructure are eligible for IETF support. For projects that intend to utilise excess energy in non-industrial heat demands or export into a heat network, only the beneficial use of recovered energy in the industrial process will contribute towards the economic assessment and monitoring of your proposal.
- Energy recovery from waste pressure produced in an industrial process where the energy is utilised in an industrial process on site.
- Installation of equipment to generate electricity using waste heat, waste pressure, waste process gas, or waste process liquid not suitable for transport use, where this electricity is used to power on-site industrial processes.

- **Resource efficiency measures**

- Onsite resource efficiency measures to reduce wastage and optimise use of raw materials. For example, the IETF could provide support towards the costs of adapting processes to new input materials that require less energy to process.
- Further eligibility rules for specific technologies are elaborated below.

## B.1. Heat Pumps

The IETF will support the installation of heat pumps where these either:

- recover waste heat from the industrial process and utilise this waste heat primarily in another industrial process(es) onsite; or
- where the heat pump sources heat from the natural environment to be used primarily in an industrial process(es) onsite. This can include geothermal technologies.

Heat pumps, where the heat is sourced from the natural environment, must achieve appropriate performance across the year to meet the proposal's objectives. You should evidence that the heat source and design of the heat pump meets this performance condition.

## B.2 Heating and cooling equipment

The IETF will support the installation of more efficient heating and cooling technologies within industrial processes and sites where the heating or cooling is directly related to the industrial equipment being used.

- As an example, increased use of waste heat to pre-heat a feed stream would be eligible under the IETF.
- Cooling technologies for **data centres** that refrigerate the space between the equipment components and internal surface of the immediate insulating structure would also be in scope.
- **Refrigeration technologies** for the cold storage of products on industrial sites or cooling technologies necessary to the industrial process equipment itself are in scope, while space heating of warehouses or site buildings would not be eligible except where the maintenance of storage temperature is a requirement of your site's industrial process.

## B.3 Fuel switching

You may apply for support to investigate or carry out a fuel switch at your site. Fuel switching is only permitted where this is to a lower carbon fuel and in most instances, we would anticipate that decarbonisation would be the primary outcome of the project. Projects where energy consumption reduction, achieved because of the installation or retrofitting of more efficient industrial equipment, is the primary benefit of the project are however permitted to apply as an energy efficiency project, this is limited to the following fuel switches:

From	To (specific requirements apply for each fuel)
Any Fuel	Electricity
Fossil fuels more carbon intensive than the gas grid (e.g., coke, coal, oil)	Gas grid

See the decarbonisation section below for full fuel switching rules. You should note that the maximum funding available for deployment projects differs depending on whether your proposal is entered into the energy efficiency or decarbonisation strand of the competition.

## C. Decarbonisation technologies

Decarbonisation technologies identified as in scope of the IETF will be supported as either a study (feasibility or engineering) or deployment project. The list below provides examples, but not a comprehensive list, of the solutions and technology types that are in scope of the decarbonisation competition strand.

- Fuel switching, where the switch is to a lower carbon intensity fuel that is also not a higher carbon intensity than the gas grid (see fuel switching section below), including:
  - Electrification of industrial processes
  - Retrofits and upgrades of industrial equipment to use low carbon hydrogen or hydrogen blends.
  - Retrofits and upgrades of industrial equipment to use natural gas sourced from the National Grid.
  - In certain circumstances, retrofits and upgrades of industrial equipment to use biomass or biogas and biomethane.
  - In certain circumstances, retrofits, and upgrades of industrial equipment to use compressed natural gas or liquid natural gas in place of other, more carbon intensive fossil fuels.
  - In certain circumstances, retrofits, and upgrades of industrial equipment to use waste fuels.
- Onsite changes or adaptations required to incorporate carbon capture technology for utilisation or storage.

Eligibility rules for each technology type are further elaborated below.

## C.1 Fuel Switching

The IETF will support fuel switching studies or deployment projects as a decarbonisation measure where it can be demonstrated that the outcome of the switch delivers emissions reductions associated with an industrial process. Studies or deployment projects for fuel switching involving Combined Heat and Power (CHP) plants are included in this definition (see further guidance below).

Fuel switching is only permitted in instances where the switch is to a less carbon intensive fuel. Carbon intensities for most fuels are provided by the greenhouse gas reporting guidance: see the 'Fuels' or 'Bioenergy' worksheets in the [conversion factors 2023: full set](#), and the electricity emission factors series in data table 1 from the [Green Book supplementary guidance](#). If your intended fuel is not included in the guidance, you will be asked to provide a value for the carbon intensity of the fuel and explain how this was derived. The gas grid is used as a benchmark for acceptable fuel switches (unless your site does not have gas grid connection), such that you cannot switch to a fossil fuel that is more carbon intensive than the gas grid.

Fuel combustion proposals must be above 1MW<sub>th</sub> input and comply with UK air quality regulation.

**Table 1: Eligible decarbonisation fuel switches**

From	To (specific requirements apply for each fuel)
Any Fuel	Electricity
Fossil fuels	Waste energy
Fossil fuels	Waste fuel
Fossil fuels	Biomass where the applicant can justify the reason for switching to this fuel over other decarbonisation fuel switching options within scope of the IETF.
Fossil fuels	Biogas or biomethane and compressed or liquified natural gas on sites that are remote from the gas grid
Fossil fuels more carbon intensive than the gas grid (e.g. coke, coal, oil)	Gas grid
Fossil fuels	Low carbon hydrogen

Given the nascent nature of the technology solution, switches to ammonia fuels are not currently eligible for the IETF competition. This position will be kept under review and we welcome feedback on potential projects of this kind.

## C.2 Partial fuel switching and fuel blending projects:

Where you are considering a partial fuel switch, the switch from the original fuel to the new fuel must comply with the fuel switching eligibility criteria set out in this guidance.

Where you are considering a blend of fuels, the new fuel mix must comply with the fuel switching eligibility criteria and rules set out in this guidance document. The resulting fuel mix must have a lower carbon intensity than that of the previous fuel or fuel mix.

## C.3 Scope of fuel switching support:

The IETF can provide financial support towards the costs of on-site changes necessary to facilitate the fuel switch in the industrial process. This includes but is not limited to:

- The costs of retrofitting equipment or installing new equipment which can operate using the new fuel.
- The cost of upgrading on-site transformers or onsite costs of enabling connection to offsite fuel distribution infrastructure.
- Connecting pipes and infrastructures (such as fuel or energy storage facilities) within the industrial site where necessary to achieving the outcomes of the project.
- Where required and to be owned by the lead applicant, the IETF will support onsite fuel processing equipment to change the physical properties of a fuel to a state suitable for combustion such as compressors or blenders, but the IETF will not fund any equipment associated with the production of fuels (such as reactors or anaerobic digestors).
- Metering equipment, where required to provide data in accordance with the monitoring and verification (M&V) plan or for compliance monitoring processes (see metering section in the general guidance document).

For deployment projects, the IETF will not provide financial support towards any changes required for the fuel switching that occur off-site. For study projects, the scope of offsite scope is outlined in Section 3.1.3.

The costs of purchasing, installing, and maintaining renewable electricity generation equipment, such as solar panels, will also not be covered by the IETF.

## C.4 Combined Heat and Power (CHP) fuel switching projects

New or retrofit CHP proposals will be supported only where this involves an eligible fuel switch as per the scenarios in Table 1 and in line with the eligibility requirements of the chosen fuel as outlined in this document. Notably, where biomass is used, the heat output from the CHP

project must be used in high temperature applications in which the operational temperature of the industrial process(es) being heated is equal to or more than 240°C.

In some cases, CHP equipment integral to the process may not be owned by the lead applicant or may not be co-located on the immediate site. Studies or deployment projects involving eligible fuel switches for CHP plants will be considered in scope provided that at least 70% of both the heat output and electricity output produced by the CHP plant is used for an eligible process by the lead applicant or project partners. The lead applicant must in this case be an eligible end-user, and the CHP operator must be a collaborating partner on the project. If these conditions are met, then the IETF can support the costs of fuel switching studies or deployment projects at the identified plant.

## C.5 Waste fuel switching projects

There are many types of waste streams which can be used as a fuel source, some may overlap with categories of biomass fuels. Where the waste fuel is biological in origin, the proposal must comply with the biomass eligibility criteria. Examples of waste fuels include, but are not limited to:

- Refuse Derived Fuel (RDF) and Solid Recovered Fuel (SRF)
- Combustible waste gases such as blast furnace gas (BFG) and coke oven gas (COG) in steel making; these off-gas have a calorific value and are hence a fuel.
- Waste from food production.

Applications for projects that involve switching towards waste fuels will be supported in situations where:

- You can justify the reason for choosing waste fuel over other decarbonisation fuel switching options within scope of IETF funding.
- The waste fuel is sourced from the lead applicant's site or process(es).
- You can justify why this is the best use of the waste product, including whether there are better alternatives such as waste minimisation.
- The project involves a switch away from an original fuel with a higher carbon intensity than the proposed waste fuel.

You must demonstrate that there are life-cycle emissions savings from the fuel switch and comply with the biomass rules below as appropriate.

Proposals that do not meet all the requirements above will not be eligible for funding.

The IETF will support industrial sites to fuel switch to electricity or cleaner heat sources, including where this energy is supplied by an Energy from Waste plant. We will not support projects related to energy from waste facilities themselves.

**As part of the assessment process waste fuel switching projects will be asked to:**

- **Explain the source of your waste fuel including details of the onsite process the waste originates from and a breakdown of the types of waste(s) that make up the waste fuel.**

## C.6 Biomass fuel switching projects

Where biomass is the decarbonisation technology of choice, applicants will need to justify the reasons for choosing biomass over other alternative decarbonisation fuel switching options within scope of IETF funding. This justification could include an explanation that the industrial site does not have access to local gas or electricity grid infrastructure, and it is therefore unfeasible to establish a connection, or evidence the capacity of the local electricity grid infrastructure is insufficient to meet the needs of the industrial site. A policy statement outlining the Government's view on the role of sustainable biomass for net zero can be found [here](#).

The IETF considers biomass proposals where these relate to virgin biomass or residues. Examples of fuels that meet this definition and are considered eligible feedstocks for IETF grant funded biomass projects include but are not limited to:

- Wood logs, chips, and pellets
- Straw and agricultural residues
- Paper and pulp residues from the paper manufacturing process
- Biomass residues from the food processing industry

When referring to biomass, we mean the fuel is, or is derived from, the material in the above definition. The IETF does not support projects which will convert biomass to biofuels for later use or to upgrade to biomethane for injection into the gas grid.

The following eligibility criteria apply to both study and deployment projects, applications should note that deployment projects will be asked to evidence their compliance. Applications for projects that involve switching towards virgin biomass or residues will be supported in situations where:

- the project involves a switch away from an original fuel with a higher carbon intensity than the proposed biomass fuel.
- the output from the biomass combustion is used in high temperature applications in which the operational temperature of the industrial process or processes being heated is equal to or more than 240°C.
- you can prove and evidence that the biomass feedstock to be used as fuel will be sourced from a supplier on either the Biomass Suppliers List (for woody biomass) or the Sustainable Fuel Register (for non-woody biomass) or demonstrate the biomass



feedstock is in compliance with Schedule 3 of the Renewable Heat Incentive Scheme Regulations 2018.

- the biomass will be utilised in an existing heat/energy use where it is replacing a need previously supplied by a more carbon intensive fuel.
- The source of the biomass considered is sustainable. The application will need to show that the biomass fuel used will deliver greenhouse gas reductions and will not result in adverse environmental impacts such as air pollution or soil erosion, through compliance with existing local and national environmental regulation and biomass sustainability criteria. The required biomass sustainability criteria are those used in Schedule 3 of the Renewable Heat Incentive Scheme Regulations 2018.
- you can prove and evidence at project completion that the project is in compliance with and therefore holds any necessary environmental permits in relation to the biomass combustion plant, and will continue to comply with all local and national laws relating to the protection of the Environment.

Proposals that do not meet all the requirements above will not be eligible for funding.

If you are considering switching away from an existing fuel to biomass with carbon capture, (bioenergy with carbon capture and storage, BECCS), please select this as your technology choice when completing the application. We will still require you to meet the biomass criteria above to demonstrate that your project represents a “best use” case for the fuel. You will also be asked questions relevant to carbon capture technologies (see section B.11). Please ensure you have adequately described and quantified the emissions and energy impacts of the switch in your application. In the project Benefits Calculator please fill in tab 6 to describe the direct emissions abatement (carbon captured) from the project as well as the details around the pre and post intervention fuels. Biomass proposals will be subject to ongoing post-project completion monitoring requirements that will be detailed in the Grant Funding Agreement.

**As part of the assessment process biomass fuel switching projects will be asked to:**

- **Explain the source of your biomass, including why it was chosen and how it will be supplied to the site.**

## C.7 Biogas and biomethane fuel switching projects at off gas grid sites

If the site is not on the regional or national gas grid, switches to biogas and biomethane (including bio-derived syngas) combustion or combined heat and power projects are permitted for consideration. In this case the biogas or biomethane must be sourced from a dedicated supply that could not otherwise be injected into the gas grid.

The supply must be based onsite or transported to site through fixed infrastructure (for example pipelines). The IETF will not provide financial support towards the costs of installing or maintaining off-site infrastructures, or towards biogas and biomethane production

plants. Applications for projects that involve switching towards biogas or biomethane will be supported in situations where:

- The project involves a switch away from an original fuel with a higher carbon intensity than the proposed biogas or biomethane fuel.
- The biogas or biomethane fuel considered must be sustainable. The application will need to show that the biogas fuel used will deliver greenhouse gas reductions and will not result in adverse environmental impacts such as air pollution, through compliance with existing environmental regulation and biogas sustainability criteria. The required sustainability criteria are those used in [Schedule 3 of the Renewable Heat Incentive Scheme Regulations 2018](#).
- The site must be able to prove and evidence at project completion that the project is in compliance with and therefore holds any necessary environmental permits in relation to the biogas or biomethane combustion plant and will continue to comply with all local and national laws relating to the protection of the Environment.

Fuel switches to biomethane are also in scope and must adhere to the same eligibility requirements as biogas projects, these are detailed above. In such circumstances, the biomethane must be supplied from a source where it is not possible to inject the biomethane into the gas grid. You will need to provide a justification for this in your application.

If you are considering switching away from an existing fuel to biogas or biomethane with carbon capture, (bioenergy with carbon capture and storage, BECCS), please select this as your technology choice when completing the application. We will still require you to meet the biogas and biomethane criteria above. You will also be asked questions relevant to carbon capture technologies (see section B.11). Please ensure you have adequately described and quantified the emissions and energy impacts of the switch in your application. In the project Benefits Calculator please fill in tab 6 to describe the direct emissions abatement (carbon captured) from the project as well as the details around the pre and post intervention fuels. Biogas and biomethane proposals will be subject to ongoing post-project completion monitoring requirements that will be detailed in the Grant Funding Agreement.

**As part of the assessment process biogas and biomethane fuel switching projects will be asked to:**

- **Explain the source of your biogas or biomethane, including what feedstock will be used to produce it, how it will be supplied to the site, and why injection into the gas grid from the source would not be feasible.**

## C.8 Synthetic fuels

The gas grid is used as a benchmark for acceptable fuel switches (unless your site does not have gas grid connection), such that you cannot switch to a fossil fuel that is more carbon intensive than the gas grid. Synthetic fuels derived from the gasification of solid feedstocks will typically not meet this condition. Specifically, the below **fuels would not be eligible**:

- Grey hydrogen (steam reforming of natural gas or liquid hydrocarbons to produce hydrogen). This can be used temporarily for testing purposes, see [Hydrogen](#) section for details
- Gasification of coal
- Gasification of biomass (permitted as an eligible fuel for off gas grid sites only)
- Gasification of waste (permitted as an eligible fuel for off gas grid sites only).

### C.9 Compressed or liquified natural gas fuel switches at off grid sites

If the site is not on the regional or national gas grid, switches to compressed natural gas (CNG) and liquified natural gas (LNG) combustion are permitted for consideration. Where CNG or LNG is the decarbonisation technology of choice, applicants will need to justify the reasons for choosing these fuels over other alternative decarbonisation fuel switching options within scope of IETF funding.

The CNG or LNG fuel is permitted to have a carbon intensity above natural gas from the regional or national gas grid but is only eligible where the project involves a switch from a fuel of higher carbon intensity than the proposed CNG or LNG (see [conversion factors 2023: full set](#) for emissions figures).

**As part of the assessment process CNG and LNG fuel switching projects will be asked to:**

- **Explain the source of the compressed or liquid natural gas fuel, including how it will be supplied to the site.**

### C.10 Hydrogen fuel switching projects

The IETF will support fuel switching to low-carbon hydrogen. Fuel switches to low-carbon hydrogen will be supported where these involve either a switch to 100% hydrogen fuel or a blend of hydrogen and other fuels.

The Government has published a UK Low Carbon Hydrogen Standard (LCHS)<sup>12</sup>. This requires the fuel to have a GHG emissions intensity of 20g CO<sub>2</sub>e/MJ LHV or less at the point of production to be considered low carbon hydrogen for the purposes of some government schemes. In Phase 3 of the IETF, we will require projects that propose to use hydrogen or hydrogen blends to meet LCHS requirements for the hydrogen component of the fuel. Please refer to the LCHS for further details regarding how to determine your prospective hydrogen source's emissions intensity.

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<sup>12</sup> <https://www.gov.uk/government/publications/uk-low-carbon-hydrogen-standard-emissions-reporting-and-sustainability-criteria>

Projects aiming to install hydrogen ready equipment without plans to switch to hydrogen fuel are not eligible as hydrogen fuel switching projects, but ahead of low carbon hydrogen supplies coming online, may consider:

- Applying as an energy efficiency project if they result in energy savings.
- Applying as a decarbonisation project where there is a fuel switch from a more carbon intensive fuel for example to the gas grid

Applications for projects (studies or deployment) that involve switching towards low carbon hydrogen fuel will be eligible in situations where:

- The project involves a switch away from an original fuel with a higher carbon intensity than the proposed low carbon hydrogen fuel.
- The identified hydrogen supply must be low carbon, as defined by the Low Carbon Hydrogen Standard.
- If a deployment project, the fuel switch to low carbon hydrogen will occur within 5 years after the project completion date.

### **Hydrogen Studies**

Applications for hydrogen studies must include realistic, economically planned hydrogen supply options and where possible include estimates of the cost of supply as part of its economic assessment. Where the project is dependent on the development of off-site hydrogen supply networks, for example in a cluster setting, you can note any core planning assumptions that have been made.

The scope of the study should focus on any feasibility or pre-engineering work required to invest in onsite equipment related to the industrial process but may also include an investigation of offsite bridging infrastructure to the extent described in Section 3.1.3.

### **Hydrogen Deployment Projects:**

Applications for hydrogen fuel switching deployment projects must include detailed information about the proposed low carbon hydrogen supply. Applicants must demonstrate a realistic plan to begin utilising the identified hydrogen supply within 5 years after project completion and any key risks associated with the project. You should note that the information provided in the application form related to these areas will be used by assessors to make a judgement on the viability of the project's proposals. Your application should include information covering the following areas:

- The expected date of supply availability at the site.
- Details of the proposed hydrogen fuel production method, quality and compliance with the UK Low Carbon Hydrogen Standard, and supplier.
- Details of the hydrogen fuel distribution method and associated infrastructure requirements including any planning assumptions. This evidence should include

information on the proposed construction milestones, completion date, any contracts or provisional agreements in place, any studies that have been conducted and the location of the off-site hydrogen distribution infrastructure.

- You should note that evidence of previous hydrogen fuel switching FEED or feasibility studies at the site can be submitted to support the application, with brief summaries of findings welcomed.
- Where a project intends to blend low carbon hydrogen with another fuel, you must provide details including a breakdown of the fuel mix, and the percentage of hydrogen in relation to the overall mix.
- You should expand on any dual fuel or back up fuel requirements that might be needed to mitigate against any risk of low or inconsistent low carbon hydrogen supplies.

**As part of the assessment process hydrogen fuel switching deployment projects will be asked to:**

- Provide details of the back-up or dual fuel the site proposes to use as part of the project, and why this has been chosen. Where this is compressed natural gas or liquid natural gas, provide evidence the site is off the gas grid. Provide details on how often you expect that you will have to utilise the back-up fuel.
- Provide details on how and where your hydrogen will be produced, including evidence that it will have a carbon intensity that is equal to or lower than gas from the regional or national gas grid, and will also comply with the UK Low Carbon Hydrogen Standard
- Outline any planning assumptions and infrastructure requirements for sourcing your hydrogen, including when the production facility is expected to be operational, and where this is offsite how it will be supplied to your site. Provide evidence that your project will begin utilising low carbon hydrogen no later than 5 years after the project completion date.

### **Hydrogen: Interim Fuels**

Hydrogen fuel switching projects are permitted where you can demonstrate the fuel switch will be completed within 5 years of project completion. Temporary interim fuels are therefore permitted to be utilised at the site until the low carbon hydrogen supply is available, up to a maximum of 5 years after the project completion date. The following fuels are permitted on an interim basis:

- Grid gas: Sites with access to the national or regional gas grid are permitted to use grid gas.
- Compressed natural gas or liquified natural gas: Sites without access to the gas grid are permitted to use these fuels.

Applications intending to use an interim fuel will need to provide information in their application about the carbon intensity of the fuel and the period of time you intend to utilise it. Where the supply of low carbon hydrogen is delayed, and a site needs to extend the period of time you

use the interim fuel, you would need to provide evidence to DESNZ to justify the extension. The IETF holds the right to grant an extension to this period on a case-by-case basis.

Grey hydrogen, defined here as hydrogen produced using fossil fuels without CCUS, is not permitted as an interim fuel. However, it may be permissible to allow the temporary use of grey hydrogen for testing purposes to ensure the equipment meets performance and safety requirements. You will need to evidence that reliance on grey hydrogen supplies is minimised to short term usage for the purposes described and be limited to a 6-month testing and demonstration period. You will need to provide a justification in your application for the length of time you require for testing and demonstrating. Where you need to extend the testing and demonstration period beyond 6 months, the rationale for this will need to be explained and evidenced to the IETF. The IETF will treat each request for an extension on a case-by-case basis.

### **Hydrogen fuel switching applicants to note:**

Applicants applying for grant funding towards hydrogen fuel switching studies or deployment projects should note that success in this scheme does not constitute qualification for future hydrogen support from other Government programmes. Additionally, you should be aware that success in the IETF does not prevent the site from being required to adhere to future hydrogen fuel standards and associated regulations published in the future. This means that the IETF's definition of low carbon hydrogen described in this guidance is not a legal definition and that applicants apply at their own risk. Success in this scheme does not remove the responsibility on you to adhere to future hydrogen emission standards.

## **C.11 Carbon capture utilisation and storage (CCUS) projects**

The IETF can support both studies and deployment projects that involve retrofits and upgrades of industrial equipment or other onsite changes (for example, onsite connections to an offsite CO<sub>2</sub> transportation network) essential to facilitating onsite carbon capture technology. Carbon capture projects are only eligible where it can be evidenced that the captured CO<sub>2</sub> will be utilised either onsite or offsite, or where it is transported and stored permanently. The intended or achieved outcome of these projects must involve a reduction in carbon emissions associated with an eligible industrial process.

Grants will be offered towards the cost of any capital investment required within the boundaries of the site, including for example:

- Retrofitting carbon capture technologies onto existing industrial equipment including onsite bioenergy combustion (BECCS), anaerobic digesters, and CHP where these are powering onsite processes.
- Intermediate CO<sub>2</sub> storage and transport infrastructure (for example storage tanks and pipes) within the boundary of the site.
- Metering equipment to monitor the quantity and quality of the captured CO<sub>2</sub>.

To be eligible for IETF grant funding, a proposal must:

- Consider incorporating carbon capture technology on an existing eligible industrial process at an existing eligible site
- Begin capturing the CO<sub>2</sub> for utilisation or storage within 5 years after the project completion date.

The following types of projects are not within scope and will not be eligible for IETF grant funding:

- Direct air capture technologies.
- Development of test centres for CCUS technology
- The setup of new end users of the captured CO<sub>2</sub> such as synthetic fuel manufacturers or mineralisation plants.
- Offsite transport and storage networks.
- Long-term storage infrastructure
- Projects with no identified utilisation or transport and storage routes for the captured CO<sub>2</sub>.
- Projects proposing to transport the captured carbon to storage sites where the storage is temporary rather than permanent.

If your proposal is successful in the IETF competition, you are not permitted to claim support from other funds, such as the [Carbon Capture and Storage Infrastructure Fund](#) for the same set of eligible costs. Any assessment of projects for IETF funding decisions are for IETF purposes only and will not be used for decisions made as part of the [CCUS cluster sequencing](#) process.

### **Carbon Capture Studies**

Applications for carbon capture studies must identify a realistic, economically planned CO<sub>2</sub> route and where possible include estimates of the energy and carbon costs of moving CO<sub>2</sub> to the storage or utilisation site as part of its economic assessment. Where the project is dependent on the development of off-site transportation and storage networks, for example in a cluster setting, you can note any core assumptions that have been made.

The scope of the study should focus on any feasibility or pre-engineering work required to invest in onsite equipment related to the industrial process but may also include an investigation of offsite bridging infrastructure to the extent described in Section 3.1.3.

Proposals to incorporate carbon capture on CHP plants (including outside of the immediate site boundary) are eligible provided that at least 70% of the heat and power output is used within an eligible industrial process owned by the lead applicant or lead applicant and project partners.

## Carbon Capture Deployment Projects:

Applications for carbon capture deployment projects must include detailed information about the proposed CO<sub>2</sub> utilisation or transportation and storage route. You must demonstrate a realistic, economically planned route to begin capturing and utilising or permanently storing the captured CO<sub>2</sub> within a maximum of 5 years after the project completion date. Including clear plans of how you will integrate with the identified CO<sub>2</sub> transportation network.

Applications for deployment projects that involve incorporating carbon capture equipment will be eligible for support where:

- the captured CO<sub>2</sub> will be utilised, or where;
- the captured CO<sub>2</sub> will be transported through fixed (pipeline) infrastructure and stored permanently.
- applicants for deployment projects can evidence a credible and realistic plan for the site to begin utilising or storing the captured CO<sub>2</sub> within 5 years after the project completion date, through methods identified in the application.
- there is no eligibility requirement on the minimum capture rate of the technology deployed. However, to avoid the lock-in of technologies that are not aligned to net Zero we would typically expect rates to exceed 85%.<sup>13</sup>

Grants will only be offered towards the cost of capital investment required within the boundaries of the eligible industrial site.

Where a site fails to start capturing the CO<sub>2</sub> on the date agreed in the Grant Funding Agreement due to factors outside of your control, and the site needs to extend the period of time until they begin capturing the CO<sub>2</sub>, you would need to provide evidence to DESNZ to justify the extension. DESNZ holds the right to grant an extension to this period on a case-by-case basis.

The following additional information will be requested as part of the application process and will be used in the assessment process. You should note that the information provided in the application form related to these areas will be used by assessors to make a judgement on the viability of the projects proposals. Your application should include information covering the following areas:

- Capture rate (efficiency) of the total CO<sub>2</sub> content of the flue gas or similar.
- Quantity and quality of the captured CO<sub>2</sub>.
- Carbon capture and utilisation proposals should identify the off taker utilising the captured CO<sub>2</sub> including, provisional sales agreements, and the type of industrial process

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<sup>13</sup> We define capture rate as the percentage of CO<sub>2</sub> emissions captured from the specific emissions stream, point source, that the capture technology is applied to. The eligibility requirements of the [Industrial Carbon Capture business model](#) support require projects to demonstrate the ability to achieve at least an 85% capture rate.



the captured CO<sub>2</sub> is being used in, method of transporting the captured CO<sub>2</sub> to the utilisers site.

- For carbon capture and storage projects, the proposed fixed (pipelines) CO<sub>2</sub> transportation infrastructure including location, plans for establishing a fixed connection to the site, construction milestones, date of availability, evidence of provisional agreement with the CO<sub>2</sub> transportation and storage business(es), any other relevant planning assumptions.
- For carbon capture and storage projects, the CO<sub>2</sub> storage site including evidence that it will store the captured carbon permanently, storage method, provisional agreements with the transportation and storage business, facility construction milestones, date of availability, evidence the transportation infrastructure is connected to the proposed storage site.

**As part of the assessment process, carbon capture deployment projects will be asked:**

- **Where a project is proposing to utilise the captured CO<sub>2</sub>, explain and provide evidence for how the end user is currently sourcing the CO<sub>2</sub> required in their process.**
- **Where a project is proposing to utilise the captured CO<sub>2</sub>, explain and provide evidence for how the end user will use the captured CO<sub>2</sub>. If it will end up in a product, provide details on how long the CO<sub>2</sub> is expected to be stored within that product.**
- **Where a project is proposing to utilise the captured CO<sub>2</sub>, provide evidence that the site will begin capturing and utilising the CO<sub>2</sub> within 5 years of project completion.**
- **Where a project is proposing to transport and permanently store the captured CO<sub>2</sub>, provide details of the transport and storage network that your project will be connecting to, and evidence that the site will begin capturing, transporting and permanently storing the CO<sub>2</sub> within 5 years of project completion.**
- **In the benefits calculator you are prompted to include an estimate of the direct emissions abated in tab 6.**

## D. Activities the IETF Will Not Support

The IETF aims to fund projects that transform industrial energy efficiency or industrial emissions. We will therefore not fund projects for which there is existing support through government schemes or an established market.

The IETF will only support proposals that are aligned with the Net Zero pathway for industry. For these reasons, proposals which fall under the headings below are not in scope of the current competition.

## New builds and expansions

Energy or emissions savings must be measured and take place at site level where there is an existing, identified operational industrial process. This means that funding cannot be used to:

- support capital delivery of new build plant.
- repurpose a manufacturing site for a new industrial process.
- cover the costs of a project which aims to expand the capacity at an existing plant.

An exception would be where the measure itself directly leads to a change in production levels or productivity, this might be the case for energy efficiency measures which achieve a per unit saving in energy consumed. In this scenario the IETF can support the specific elements of the project which can be identified as energy efficiency or emission saving measures (see eligible costs section for further guidance).

## Repair and maintenance

IETF funding cannot be used to support the costs of repair and maintenance that would be undertaken in the normal course of business. This includes both repairs to or replacement of components in an industrial process with an identical model or a different model with equivalent performance or capabilities. Any maintenance checks or tests required to identify such issues will also not be funded.

We cannot support any costs incurred from energy efficiency or decarbonisation measures that bring the site or equipment up to minimum legal standards. We also cannot support projects that stem from improvement notices from regulatory bodies such as the Environment Agency.

## Building improvements

The IETF will not support projects that upgrade systems in buildings that are not integral to the industrial process itself. This includes but is not limited to:

- Building lighting
- Building insulation
- Space heating and cooling systems where not integral to the industrial process

## Plant closure projects

The IETF will not support projects related to production capacity reductions or plant closure where it is not required to deploy or retrofit equipment to achieve energy or emissions savings.

## Production of fuels

The IETF will not support the costs of installation, operation or maintenance of equipment related to the production of fuels, including but not limited to:

- biofuels (including anaerobic digestion and pyrolysis facilities)
- synthetic fuels
- hydrogen fuel

## Coal mining operations

The IETF will not support the costs of installation, operation or maintenance of equipment related to coal mining operations including lignite mining.

## Electricity generation

The IETF will not support the costs of purchasing, installing, and maintaining electricity generation equipment including:

- solar panels
- wind turbines
- marine and hydro technologies
- biomass (unless part of a CHP project)

The IETF does, however, support other means of electricity generation where this involves recovering waste energy from an industrial process at the lead applicant's site. Electricity generation projects may be supported, only where this is produced using:

- waste heat or waste pressure,
- waste process gas
- waste process liquid not suitable for transport use
- CHP subject to certain restrictions (see Section C4)

Where the IETF supports electricity generation as described above, the electricity must be used to power an existing industrial process within the applicant's own site and cannot be used to export any power beyond the site boundary.

For deployment projects, the IETF will not cover the costs of linking the site to local or national gas and electricity grids or other off-site fuel supplies. Work required within the site boundaries to enable the switch may be covered.

IETF study projects may include investigation of bridging infrastructure offsite (see Section 3.1.3).

## Combined Heat and Power (CHP) plant installations and upgrades

The IETF will only support investment in CHP plants as part of the decarbonisation competition strand. CHP proposals must involve an eligible fuel switch.

New build or upgrades to CHP plants that do not involve an eligible fuel switch will not be in scope of the competition. CHP project sites that seek accreditation with the CHP quality assurance (CHPQA) programme may receive favourable tax treatment. This currently includes:

- Relief from Climate Change Levy (CCL) and Fuel Duty
- Relief from Carbon Price Support (CPS) rates of tax

## Energy efficiency and decarbonisation measures in transportation

The IETF will not support projects related to modes of transportation used for the purpose of transporting people on or off-site, or for the transportation of goods and/or materials off-site, including but not limited to:

- Automotive vehicles, such as heavy (N3) and light (N1 and N2) goods vehicles approved for road use as defined in Article 4 of Regulation (EU) 2018/858, as it applies in Great Britain.
- Rail
- Ships, boats, barges
- Air
- Conveyor belts to transport materials or goods off-site (rather than between on-site production stages which would be in scope).

In this application window, the IETF will support projects that improve the energy efficiency and / or reduce emissions from non-road mobile machinery (NRMM) for example through fuel switching and / or the replacement of NRMM with fixed machinery. All projects must comply with the relevant technological eligibility requirements; for example, a fuel switching proposal must meet the conditions for eligible fuels (see Annex A). The machinery must be necessary to, and a part of, the industrial process and located within the boundary of the eligible site and must not be removed from that site. This can include, but is not limited to, machinery such as forklifts, crushers, off-highway trucks, cranes, or excavators, as long as these are not used for the transportation of goods and/or materials off-site, or for the purpose of transporting people on or off-site.

## Annex B: Acronyms

BECCS	Bioenergy with Carbon Capture and Storage
BFG	Blast Furnace Gas
CCA	Climate Change Agreements
CCL	Climate Change Levy
CCUS	Carbon Capture, Utilisation and Storage
CEH	Controlled Environment Horticulture
CHP	Combined Heat and Power
CHPQA	Combined Heat and Power Quality Assurance
CNG	Compressed Natural Gas
COG	Coke Oven Gas
CPS	Carbon Price Support
DESNZ	Department for Energy Security and Net Zero
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EII	Energy Intensive Industry
ETS	Emissions Trading System
FBC	Full Business Case
FCA	Financial Conduct Authority
FEED	Front-End Engineering and Design
GFA	Grant Funding Agreement
GHG	Greenhouse Gas
HMG	His Majesty's Government
IAR	Independent Accountants Report
IETF	Industrial Energy Transformation Fund
LCHS	Low Carbon Hydrogen Standard
LHV	Lower Heating Value
LNG	Liquified Natural Gas
M&V	Monitoring & Verification
MJ	MegaJoules
MO	Monitoring Officer
MWh	Megawatt - Hour
NRMM	Non-Road Mobile Machinery
PRA	Prudential Regulation Authority
PSO	Public Sector Organisations
PSRE	Public Sector Research Establishments
SCADA	Supervisory Control and Data Acquisition
SME	Small and Medium-sized Enterprise
SIC	Standard Industrial Classification Code (for economic activity definition in industry)
SRF	Solid Recovered Fuel
SRO	Senior Responsible Owner
RDF	Refuse Derived Fuel

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