

# CARBON CHALLENGE FUND

## Frequently Asked Questions

### Q1: What is the definition of 'de minimis' aid as quoted in the Guidance Notes for Applicants?

Support through the Carbon Challenge Fund is offered under the European Commission's State Aid regulation. This allows a company to receive up to €500,000 of De Minimis state aid over a rolling three-year period. To confirm that you are able to receive this assistance you must therefore declare the full amount of De Minimis aid you have already received over the last 3 fiscal years.

The following is not a comprehensive list of the possible forms of aid. However it should give an indication of the most common forms of aid, which you may have been given over the past three years. Potentially any assistance from a public body might be an aid.

- Grants from public bodies
- Loans from public bodies at favourable rates
- Loan guarantees from public bodies
- Differential tax benefits
- Grants from an investment trust (including charities) which may themselves have received the funds from a public body
- Grants from a part publicly funded venture capital fund
- Publicly administered funds, even if the funds were originally not public such as the national lottery
- Waiving or deferral of fees or interest normally due to a public body such as the waiving or deferral of rent or waiver of interest normally due on late payment of taxation or other costs to a public body
- Monopoly licences or guarantees of market share
- Advertising via a public channel such as a tourist board or state owned television
- Consultancy advice provided either free or at a reduced rate
- Training provided either free or at a reduced rate
- Aid for investment in environmental projects
- Provision of a free or reduced rate feasibility study for research and development or other assistance with research and development
- Purchase of public land or property at a less than market rate
- Benefiting from the provision of infrastructure where your organisation was pre-identified as a beneficiary

These types of aid may have been provided under De Minimis (as De Minimis aid) or under another State Aid regulation. If you are in any doubt whether aid received was De Minimis aid or about its value, check with the organisation, which provided it. If they are unable to say or there is any uncertainty, assume that it was De Minimis aid unless its value exceeded **€500,000** in which case it cannot have been De Minimis.

## **CARBON CHALLENGE FUND**

### **Q2: To what organisations does 'de minimis' apply?"**

De Minimis is only applicable to undertakings. 'De Minimis' State Aid rules state that a private company and other undertakings cannot receive over €500,000 worth of public sector support granted under 'De Minimis' from any source in any three year rolling period see above.

### **Q3: What's the definition of an 'undertaking'?**

Undertaking is defined by Article 87(1) EC Treaty as any entity engaged in an economic activity, regardless of the legal status of the entity or the way it is funded. An activity can be regarded as 'economic' even if it is not profitable, or if it lacks an economic purpose provided that it is carrying on some commercial activity. Therefore, for example some public sector organisations and/or NHS Trusts may be classed as undertakings. It is impossible to provide a categorical definition of this because each organisation will have to assess whether it is an undertaking or not.

### **Q4: Our organisation has received more than €500,000 worth of 'De Minimis' aid. Are we still eligible for support under the Carbon Challenge Fund?**

Applicants who have exceeded the de minimis limit, or will do so following the receipt of support through the Carbon Challenge Fund, may still be eligible for support but this is dependant on the granting of a Block Exemption. The NWDA is currently seeking to approve the Carbon Challenge Fund under the Environmental Block Exemption, if this is successful then this will facilitate further flexibility in grant funding for certain types of environmental activity contained in the guidance notes.

### **Q5: How will value for money for the NWDA be assessed other than tonnes of CO2e saved?**

Value for money will also be assessed against economic impact (jobs created and/or safeguarded) over the lifetime of the project, ability to leverage other public or private funds into the region and also replication potential of the innovation proposed. Full details of the scoring criteria can be found in the Guidance Notes for Applicants. All potential applicants should review this information carefully.

### **Q6: In relation to measuring the economic impact of our project, can we use other measures than jobs created or safeguarded?**

These are the high level outputs which will need to be evidenced by the Challenge Fund overall as a way of demonstrating the economic impact of the programme. However, the NWDA does recognise that certain projects may have difficulty in demonstrating these outputs, and that others may be more easily evidenced to show economic benefit. It is advised to all applicants to only use alternative outputs as a last resort, include as much information on economic outcomes as possible, and to bare in mind that projects which can demonstrate these outputs will score higher on economic impact than those which do not.

### **Q7: What is required with respect to confirmation/evidence of match support?**

At EOI stage the applicants must clearly state in the application form that a named source of match funding has been identified and agreed. If secured match funds have not been provided, a process and timescales should be outlined. Written confirmation of secured match funding must be obtained during the full application stage.

## **CARBON CHALLENGE FUND**

**Q8:** How should applicants demonstrate that other funding is not available i.e. how do we demonstrate that this is a scheme of last resort?

In section 6 “Match Funding and Leverage” of the EOI form the applicants are advised to prepare a statement indicating what measures have been taken to secure funds from other sources. Consideration should also be given to the applicability of the Carbon Challenge Fund to other forms of public support. Details of alternate public funding programmes can be found in the Guidance Notes for Applicants and the key differences between the Carbon Challenge Fund and other NWDA programmes are noted in the Q13. Alternatively, please visit the funding finder on [www.envirolinknorthwest.co.uk/lowcarbonfunding](http://www.envirolinknorthwest.co.uk/lowcarbonfunding) or contact the Low Carbon Funding Team at Envirolink Northwest on 01925 813200.

**Q9:** What's the overlap between the Carbon Challenge Fund and other NWDA's grant funded programmes?

The CCF will not fund a project which is eligible for another NWDA Grant, and we reserve the right to refer any project submitted through the CCF to another, more appropriate, funding source.

The key funds available are as follows:

**Grant for Research and Development (GRAND)** programme provides support to small and medium enterprises (SMEs) and assist them in developing and introducing new technologies and products. The scheme also includes a recently announced low carbon development strand. There are four types of projects based on the size of your organisation and size of the project. Development projects cover the conversion of IPR into working pre production prototypes. This now includes demonstrating the working prototypes to the market to stimulate take up. Therefore, projects related to the actual development and initial demonstration of energy and environmental products and technologies should be applying for this grant.

**Grant for Improving Your Resource Efficiency.** All SMEs who consider bidding for the Carbon Challenge Fund monies should explore their eligibility for the Grant for Improving Your Resource Efficiency. The assistance under this programme is offered to end users who are to implement resource efficient projects, incl. investments into energy efficiency such as on-site heating, cooling and electricity generation and distribution such as turbines, ground or air source, combined heat and power, biomass and anaerobic digestion. Capital grant of up to 50% of the total project costs are available to eligible applicants. As for energy efficiency projects the Carbon Trust's interest free loan scheme is the first option.

Manufacturers of energy and environmental products who have projects related to the improvement of their manufacturing process may be eligible for the **Grant for Business Investment**. The overall objective of this scheme is to provide help for investment projects which will increase productivity, skills and employment in the region. Both large and small businesses are eligible for support; the level of support will depend on the location of your business.

Further information on eligibility and grant rates is available from [www.nwdabusinessfinance.co.uk](http://www.nwdabusinessfinance.co.uk).

In addition the NWDA is seedfunding **Foundation – Northwest Climate Fund**, this funds smaller scale community, public sector and business projects which can achieve an average carbon saving of £30/t/CO<sub>2</sub>, to a maximum value of £50,000. The fund runs regular calls for projects and further information is available at <http://foundation.climatefund.org.uk>.

## **CARBON CHALLENGE FUND**

In relation to the above the Carbon Challenge Fund will look to support actual projects that can significantly reduce GHG emissions, create/safeguard jobs and bring further investment to the region. These will be mainly in the form of demonstrating / showcasing innovative approaches and technologies by end users.

**Q10: Are the costs related to the research and technology development an eligible expenditure?**

The Carbon Challenge Fund does not focus on these activities and such expenditure is not eligible. Actions that focus on research and technology development, including prototype projects with a high technology risk should be submitted to alternate funding programmes such as Carbon Trust's Applied Research Grants or NWDA's Grants for Research and Development (GRAND).

**Q11: In the context of Carbon Challenge Fund what is the definition of technology demonstration?**

The Carbon Challenge Fund aims to bridge the gap between Research and Development and the market implementation of environmentally sound innovations. A demonstration project typically surrounds first applications on an industrial/practical scale, often taking forward existing knowledge gained from research and practical experience or early prototypes.

**Q12: Would a technology that is already in operation outside of the UK be classified as innovative?**

The Carbon Challenge Fund will support only the most innovative projects with all applicants required to demonstrate the level of innovation proposed. This may include a statement of technological/performance advancement offered compared to the current best in class/similar technologies. If a technology is already in operation outside of the UK, applicants should consider the extent to which the technology is already in operation. The current barriers or market failures currently preventing UK introduction should be also considered. Ultimately it will be down to the individual applicant to decide if and how the technology offers the sufficient level of innovation to justify support.

**Q13: What is market failure?**

*"A 'market failure' is said to exist when the market, if left to its own devices, does not lead to an economically efficient outcome. It is in those circumstances that state intervention, including state aid, has the potential to improve the market outcome in terms of prices, output and use of resources."*

European Commission DG Competition.

Further information is available in OffPAT Information Note 1/2008 Market Failure Categories and Examples.

**Q14: How critical is the replication potential of any given project concept?**

The replication potential of a technology or process is a key assessment criteria. The Carbon Challenge Fund aims to support projects that offer best practice and a central part of this is the extent to which projects can be replicated elsewhere without the need for substantial modifications. The ease to which this can be achieved in terms of cost, design, maintenance etc should be considered. Cross-sector transferability is particularly attractive.

## **CARBON CHALLENGE FUND**

### **Q15: Are there any priority technological areas/ themes that the fund will focus on?**

The feasibility study for the Carbon Challenge Fund has identified the following priority areas for funding support:

- Demonstration, installation and market development of energy efficiency and carbon reduction measures;
- Installation and market development of small scale renewable and low-carbon energy;
- Physical adaptation measures;
- Sustainable construction;
- Sustainable travel and use of alternative fuels.

### **Q16: Are the projects aiming to raise awareness of conserving and managing energy (demand reduction/educational projects) eligible for funding?**

Any carbon reduction project is eligible, however you will need to demonstrate verifiable carbon savings (and other outputs) from previous activities or research elsewhere in the application, and have a method for monitoring these outputs going forward.

Applicants should also be aware of the range of awareness raising activity currently taking place across the region, and ensure that the activity adds value rather than replicates.

### **Q17: When can I start my project?**

Successful projects can commence activities after the 30<sup>th</sup> September 2009. As a need for support should be demonstrated, it should be noted that grant funding is not available for projects to which the applicant is already committed and for which activity has already commenced (for example the placement of equipment orders).

### **Q18: Will there be any future calls for the Carbon Challenge Fund?**

The Carbon Challenge Fund has up to £2m in the initial round for awards of between £100,000 and £500,000. Additional funding rounds will be run as required and subject to the funding awarded in the current round.

If your project is not suitable for or successful in applying for the Carbon Challenge Fund, support is available to identify additional funding opportunities from other national and European sources. Please contact the Low Carbon Funding Team at Envirolink Northwest on 01925 813200.

### **Q19: Is agricultural sector eligible for the support? *Project: a dairy farm wishing to make an investment in anaerobic digestion plant to generate heat and power for the dairy from cattle slurry.***

Yes, the funding is provided through the NWDA's Single Programme and is therefore not subject to restrictions associated with European Regional Development Funding (ERDF) or the Rural Development Programme for England (RDPE). Successful projects will however be subject to rules on State Aid. Applicants from the agricultural sector should demonstrate that funding through other sources, including RDPE, is not available. The NWDA reserves the right to refer projects which are eligible for other regional sources of funding for review prior to selection for the Challenge Fund.

## **CARBON CHALLENGE FUND**

**Q20:** How will the funding be awarded? Will it be against agreed milestones or matched against the spend profile of the project?

Successful projects will be grant aided by the Northwest Development Agency directly. This will follow standard Agency procedures for grants and contract management, including the setting of milestones, match and outputs to be delivered within a Monitoring & Evaluation Plan which will accompany any grant offer letter. The standard terms and conditions for NWDA funding are available to all applicants and agreement to them will be a condition of any offer.

**Q21:** Can any funds be drawn down at the start of the project?

Grant funding will typically be through claims in arrears. However, the Agency accepts that in exceptional circumstances there may be a need to forward fund organisations who do not have the cashflow to fund the initial stages of a project, this facility will require significant evidence, and is not guaranteed to be approved even if the project is selected, and should therefore be requested as last resort.

**Q22:** For successful projects, what are the required reporting duties?

See Q20, the award will be through a Grant Offer from the NWDA and will be subject to the terms and conditions and ongoing contract management. It is likely that quarterly claims and Progress Monitoring Reports will be required.

**Q23:** We are a manufacturer of energy efficient products – can we be the leading applicant?

Yes, provided the main beneficiary of the funds is your private or public sector client who will be installing and demonstrating your innovative technology or product. The funds are not to be used for improving your manufacturing process or directly supporting the manufacturing of the energy efficient and other environment friendly products.

**Q24:** Our product has got large carbon saving potential; however it involves low capital investment. Can Carbon Challenge Fund support a project in which we will be demonstrating our product on more than one site with different applicants, potentially different sectors?

Yes, such “multi-demonstration projects” are eligible. Demonstrating given product or process across wider range of sectors is deemed beneficial. The key assessment criteria described in the Guidance Notes apply.

**Q25:** Our organisation has developed a new PV system that generates more electricity and has got further advantages over the competing products. Could NWDA use the fund to subsidise the installations of our new product?

The fund will not directly subsidise the production of specific products or fund projects that directly aim to upgrade or improve the manufacturing process / line of specific product. Other grant funding programmes focus on these activities. However, the CCF may support eligible projects in which you will be showcasing your novel PV system at specific sites or in specific installations to encourage further uptake. These sites will have to be identified as a part of the application, and cannot be sourced following approval, given that the ultimate beneficiary of the funding needs to be identified as part of the application process. Also see Q23.

## **CARBON CHALLENGE FUND**

**Q26:** How shall we calculate the carbon savings of a project that involves refurbishment of a derelict building? This way we are avoiding its demolition and a need for a new build.

In order to demonstrate the carbon savings the applicant should demonstrate the savings generated through the SBEM calculation which is required as part of Building Regulations. The savings generated additionally through the Carbon Challenge Fund can be demonstrated by comparing the Notional Buildings carbon footprint (kg/m<sup>2</sup> x total m<sup>2</sup> of the building) by the Target Emissions Rate (kg/m<sup>2</sup> x total m<sup>2</sup> of the building). When divided by 1,000, this will give the tonnes of CO<sub>2</sub> saved by the projects intervention for one year which the NWDA may apply to an agreed persistence factor for refurbished buildings. Please note that the CCF will only fund up to 50% of the additional activity to achieve an exemplar project. Further information on SBEM is available at [www.sbnw.co.uk](http://www.sbnw.co.uk).

**Q27:** How shall we calculate the carbon savings of lighting replacement projects?

The carbon savings of your project equal to a difference between (a) equivalent of carbon emissions from installing lighting products to the current lighting standard and (b) the carbon emissions associated with your project.

**Q28:** Our technology is in pre-sale stage and we are talking to the clients across the whole UK. Could we use the funding from the Carbon Challenge Fund for installing our technology at sites outside the Northwest?

No, the Carbon Challenge Fund is a grant funding scheme offered by the Northwest Regional Development Agency and as such can't be used to support projects or installations outside the Northwest of England.

**Q29:** Our objective is to work predominantly with very small businesses (micro SMEs) and provide them with advice on energy efficiency measures. We have developed a new methodology how to engage and work with these businesses to ensure successful implementation of carbon saving measures. Would our project qualify for funding?

The Carbon Challenge Fund is concerned with supporting the demonstration of new technologies and processes to reduce carbon emissions. Therefore if your organisation can provide verifiable carbon savings from an engagement process such as this then it would be eligible, and would form part of any contract between the NWDA and yourselves, also bearing in mind the other scoring requirements described in the Guidance Notes for Applicants.

**Q30:** What information do you look for in the section 10 in relation to construction projects? It specifically asks the following: "How do you intend to fund the project following the NWDA grant funding?"

In this case please provide information on the forward strategy for the project, i.e. how the building will be run following the NWDA funding and in case you will be installing specific environmental and/or energy technologies as part of the project please clearly state how these technologies will be maintained and operated.