

LESSONS LEARNT AND RECOMMENDATIONS FROM THE 5 CSAS TO CINEA AND THE EC DGS ON INNOVATION FUND

1.1 INTRODUCTION

The present document is a collection of recommendations coming from the partners of the 5 Coordination and Support Actions (CSAs) funded under the Call Topic: 'HORIZON-CL5-2023-D2-01-07 Support for the deployment of R&I results for climate mitigation. Synergies with the ETS Innovation Fund', namely LEADS, DIAMONDS4IF, 2DPLOY, H2IF, REALIZE.

The recommendations were collected by PNO during the CSA Cluster meeting held at CINEA's premises on the 22nd and 23rd of April 2024, and in subsequent offline iterations. They represent the views of experts involved in the 5 CSAs.

1.2 STRUCTURE OF THE DOCUMENT

The recommendations are structured according to the distinct aspects and phases inherent in the IF application process:

1. Application package and design
2. Application process in general
3. Specific questions in the application phase
4. Helpdesk during application phase
5. Evaluation
6. Grant agreement preparation phase and Projects in operation

1.3 APPLICATION PACKAGE AND DESIGN

- **Simplification is essential:** The current requirement of approximately 900 pages, including annexes, to submit a robust Innovation Fund (IF) grant request necessitates streamlining.
- **Project promoters (PPs)**, including Small and Medium Enterprises (SMEs) often are **not aware of the complexity of the IF Program** and what it entails to prepare a winning proposal. They sometimes have a general understanding, and some of them some insight on some of the criteria. Very rarely PPs have a clear overview of all the criteria and most importantly on how the content of their project will need to be developed to meet those criteria, and to which level of detail they need to be described in the application documents. This applies for all projects, not only for the ones coming from H2020/HEU projects.
- When starting with an IF application, **applicants** normally **do not understand the amount of effort required to prepare** such an **application**. It takes several weeks up to months until the efforts and the eligible and precise project scope for activities to be funded become clear to the applicants. Even after a decision for IF application, 4-6 months are needed to prepare a high-

quality application in general. For projects coming from H2020/HorizonEurope, as requested from the 5 CSAs, it is our understanding that even more time is needed, due to various reasons (level of maturity, lack of clear ownership of results, readiness of PPs to apply, among others).

- **IF application documents** (and especially Part B) **ask repetitively for the same information** several times **across various documents and across sections** of the same document, which makes application filing troublesome and causes the risk of inconsistencies. Examples are: several parts of Sections 1 and 2 ask repeatedly for information provided already in the mandatory Supporting Document Feasibility Study; Work plan and timing (in PartB in chapter 3 and 6), participant information document vs beneficiary presentation in PartB chapter 1, various information requested in the supporting documents as well as in PartB (e.g. risk assessment).
- Several **incoherences** are present **in partB**, and a high number of **repetitions**. Suggestion is to remove some parts of the PartB template or at least simplify it. In any case, templates should provide more clear explanations and instructions on the type of information and the level of details required.
- More Green House Gas (**GHG**) **calculation templates are needed**. GHG methodology has definitely improved over the years and it has been simplified, yet in several cases is still difficult to understand and there is quite some margin for interpretation. The templates have improved over time, but they don't offer methodological guidance. Moreover, not all the possible cases (type of sectors, technologies, projects) are covered. Based on the type of projects received in the last 4 years of Calls, CINEA should have a good understanding of the type of projects that are most likely to apply to the Innovation Fund. It is important to highlight the importance of clear GHG guidance & examples as defining the absolute/relative GHG values is often a key source of variability in specialised resources spent for a proposal. Streamlining the GHG methodology would therefore significantly lower one of, if not the largest barrier to high-quality IF proposal submission.
- **Information on PILOTS is fragmented** and scattered all over the methodological documents. Most of the times PILOTS are treated as an exception on some specific rules. This doesn't reflect the specificities of PILOTS and the fact that at this stage many of the requirements needed for a full-scale plant are not yet ready. We suggest to provide methodological guidelines that are specific for PILOTS, summarizing what it applies in the same way as the full-scale projects and what is treated as an exception. This way, applicants interested in PILOTS have a clear guideline document (or section) and don't need to track down information in the documents and/or interpret if a rule applies to full-scale or PILOTS.
- Same applies for **MANUFACTURING** Topic.
- **Degree of innovation:** innovation through upscaling/technical challenges that are to be solved during upscaling is not reflected properly in the questions in Part B/Feasibility study. Moreover, instructions for applicants on this criterion are insufficiently clear/very unusual (i.e. differentiation compared with state-of-the-art related to: "operating approach / construction / performance / quality / reliability & availability / maintenance / economics")
- The **time horizon of an IF project** is quite long. Detailed planning and decision milestones must be planned for years upfront. Decisions taken during the application phase may only be changed through time-consuming amendments (for example, Financial Close; as this also depends on permits which are sometimes beyond control of the applicants).

- **SMEs** are often not ready to present their business case in a comprehensive way as requested by the Innovation Fund. This could be addressed by specific support from the IF.

1.4 APPLICATION PROCESS

- **IF** is probably the most **time-consuming application for public funding**: IF > CEF > LIFE > HEU. The effort to prepare a proposal is roughly a man-year, or at least 1000 hours + consultants efforts)more or less in the same order of magnitude. Again, simplification would reduce the effort and benefit applicants.
- **Avoid changes of application documents after call opening** as this causes risks and additional efforts for applicants. This was particularly difficult during the 2024 call for the announcement of the cumulation of the EU Recovery & Resilience Facility funds which had significant implications for those already engaged in an application.
- **EU-Brussels language/wording** of IF documents is hardly understood by industry representative, e.g. instead of „beneficiary“ use „applicant“. Other examples are: “Knowledge Sharing”, “relevant cost”, “State of the Art” (is usually understood as “the best available”) vs “Innovation” (usually understood as R&D to come/to do). => we suggest to develop an Innovation Fund GLOSSARY.
- **Cost calculation and financial rules** are not in line with usual accounting practices of PPs, thus extra workload is needed to ‘translate’ and adapt to the IF methodologies and tools. Similarly, the sector-specific reference market betas found in the Relevant Cost Methodology (p19) to compute the InnovFund specific WACC should be updated and include more technology specific sectors values. These reference market betas are typically too wide to account for market risk found in all technologies that can be found in the umbrella value; e.g. ‘Green & Renewable Energy’ projects have a levered beta of 0.91 but this value is equally applied to mature renewables like PV, wind turbines as well as less mature renewables like floating wind/solar, wave or tidal, among many other emerging renewables. This levered beta value, and consequent InnovFund WACC, plays a deciding role in the Relevant Cost for an IF project and applicants often feel like the risk in undertaking their project is not adequately accounted for in these reference values.

1.5 SPECIFIC QUESTIONS IN THE APPLICATION PHASE

- **Cumulation of public funding**: Relevant cost methodology is still conflicting with state aid programme rules for estimation of grant, cumulation rules are not clear (best practice: European Hydrogen Bank Auction).
- **EU IF and national subsidies** should be complementary up to the agreed fixed ceiling (60% of eligible costs) and not in competition. Applicants receive feedback from national authorities that IF funds would be sufficient and there would be no further need for national funding etc.

1.6 HELPDESK DURING APPLICATION

- Questions are very often answered with a **delay and by standard text blocks** without providing real explanations/guidance/help.

- Need for improvement with regards to **time and quality**. For example, sometimes the replies are not useful (simply repeating what is written in the methodology), take weeks for a reply or come too late.
- The accessible questions repository only contains a handful of answered questions. And it is not clear if and how much can be used of the Frequently Asked Questions (FAQs) from previous years, as some rules have changed in the meantime. We suggest to keep an updated version of the repository and extend its depth to hundreds of previously answered questions. This would benefit both CINEA & applicants by both reducing administrative burden (i.e. less questions to the helpdesk) and maximize utilization of already answered questions.
- The **Helpdesk closes 2-3 weeks before the deadline**. Whilst it is understandable that the helpdesk cannot always be open, closing it so much earlier than the deadline disproportionately affects SMEs that often cannot dedicate senior or C-suite personnel to an application earlier than the last month and that may be looking for final clarification.

1.7 EVALUATION

- **Evaluation criteria:** the description in the call text and the logic behind scoring could be more detailed, i.e. in terms of scoring per subcriterion/aspect of evaluation and type of evaluators (which part of the application for example is reviewed by finance experts, or technical experts).
- There seems to be little **consistency from evaluators on the Degree of Innovation criterion**, and it seems that this largely depends on the experts' personal opinion/perception, as well as their background. We have several examples of projects where, even if things have not changed much on the project from one year to the other (in case of resubmitted projects), the results of the evaluation are substantially different.
- Applicants, particularly of the 2024 call, have raised concerns over the long **timeline for evaluation** which is currently April to November. This means that the timeframe for applicants between the launch of the yearly updated call until its deadline (Dec-April) is now shorter than the timeframe for evaluation. As the number of projects & competition increase for the Innovation Fund, there are concerns among IF stakeholders on how this evaluation timeframe may evolve.
- **Conflict of interest limitations in the evaluation** need to be ensured and transparent. Applicants feel uncomfortable with providing sensitive information without knowledge on evaluator's selection criteria, guidelines, and handling conflict of interest.

1.8 GAP AND IMPLEMENTATION

- The Grant Agreement preparation (**GAP**) **process is also highly demanding** and needs a high effort in a very short time – applicants should be better informed and prepared to keep capacity for this time.
- **Project changes:** there is no clear guidance nor process to project changes and amendments (apart from the administrative process): the severity of various changes is not clear and “severe” changes that need monitoring/re-evaluation process are even complicated by missing guidelines for the process (incl. needed documents and time/duration).