

FAQs

DECC £20M CCS Innovation Competition

Please note new additional questions at the end of this document (Q28 – 30). We have also highlighted a few minor changes (for clarity) on previous questions.

Please ensure you read all of the competition documents available on our website:

http://www.decc.gov.uk/en/content/cms/emissions/ccs/innovation/inn_comp/inn_comp.aspx

- Guidance for Applicants
- Application Form
- Partner Costs Breakdown

GENERAL

Q1. How should projects submit applications?

A. Please make sure you register for the competition by noon 22 June 2012.

Please submit fully completed applications by the deadline **noon 29 June 2012** to ccs.innovation@decc.gsi.gov.uk . This should include:

- the “Application Form”;
- any appendices;
- the “Partner Costs Breakdown” spreadsheet for each consortium partner and;
- the Je-S pdf form for academic partners only if you have submitted a “standard proposal” to the Je-S website.
- You will also need to provide a signed hardcopy of the application form to DECC by 5PM on 2 July 2012. Please post hardcopy applications to:

Aimee Griffiths
OCCS £20M Innovation Competition
3rd Floor
55 Whitehall
London
SW1A 2EY

Please also refer to the information provided in the “Guidance for Applicants” document and “Application Form”.

Q2. Can a project developer / organisation/ consortium submit more than one proposal for consideration?

A. Yes. A separate and complete application must be submitted for each different proposal. You cannot receive public money twice for the same specific project **cost**.

Q3. What about proposals where obtaining the relevant permit e.g. for onshore storage, costs a significant amount of time or is likely to delay the project or project spend (within the specified constraints of the grant)?

A. All project proposals will have to realistically account for the time required to obtain regulatory permits necessary to carry out work. Project proposals should outline risks involved in the project and how these will be mitigated. Please refer to Question 8, page 29, in the Guidance for Applicants document on our web page: http://www.decc.gov.uk/en/content/cms/emissions/ccs/innovation/inn_comp/inn_comp.aspx# . Proposals will have to include expected spend profiles across each financial year.

Q4. What does DECC expect the future scenarios to be for CCS? Should project proposals consider these?

A. Please refer to our recently published CCS Roadmap (April 2012) which notes DECC's most recently modelled scenarios for CCS including ambition (GW) and costs per tCO₂ abated (pages 15 – 20): <http://www.decc.gov.uk/en/content/cms/emissions/ccs/ccs.aspx>

You may also find it useful to refer to -

DECC's Carbon Plan (published December 2011): <http://www.decc.gov.uk/assets/decc/11/tackling-climate-change/carbon-plan/3702-the-carbon-plan-delivering-our-low-carbon-future.pdf>

Carbon Capture and Storage Association (CCSA) Strategy for CCS in the UK and beyond (September 2011): <http://www.ccsassociation.org/press-centre/reports-and-publications/>

Q5. Does this competition include the industrial sector as well as the power sector?

A. Yes. We have kept this competition call as broad as possible. It is therefore open to industrial CCS projects as well as any projects put forward by the power sector.

Please refer to our Guidance for Applicants document for full details about the scope and eligibility of projects: http://www.decc.gov.uk/en/content/cms/emissions/ccs/innovation/inn_comp/inn_comp.aspx#

Q6. How will this competition link to projects already happening?

A. The aim of this competition is to encourage the CCS sector to put forward new and innovative ideas that will ultimately reduce the costs of CCS in the UK in the 2020s. We will select projects that we believe support new or improved technology, systems and components and which complement the £1bn CCS Commercialisation Programme. We will give careful consideration to those projects that appear to duplicate anything the UK is already doing.

We would consider funding projects that have/are being funded by the Government to take the technology to the next stage (e.g. up-scaling) if it is within the scope of this call.

Q7. The overall aim of this CCS innovation programme is to reduce the costs of CCS. What baseline should projects start from?

The onus will be on projects to demonstrate cost reduction. You must provide supporting evidence to show how the project will achieve a specific target cost reduction. It may be useful to show how this compares to your competitors and how this impacts on costs in the wider CCS chain.

You may find it useful to refer to Question 4; and a recent study published by Mott MacDonald (May 2012) - *Potential cost reductions in CCS in power Sector*
<http://www.decc.gov.uk/assets/decc/11/ccs/5237-potential-cost-reductions-in-ccs-in-the-power-sect.pdf>

Q.8 How should academic participants submit Standard Proposals via the Research Councils' Joint electronic website (Je-S)?

A. Please submit your proposals to the Je-S as you would normally. Please make sure academic partners include the pdf from the Je-S in the full electronic and hardcopy applications to this DECC competition. You do not need to provide the documents requested by the Je-S application – only the final pdf document the Je-S produces.

Q.9. Should all participants register for this competition?

A. The lead organisation must register for the competition. If other consortium members are known, it would be useful for us to know this information.

FUNDING & STATE AID

Q10. What project costs will DECC fund?

A. How DECC awards the grant for project costs in this competition is dictated by two factors:

- 1) **Financial:** DECC will award grant for mainly **capital costs**.
- 2) **Legal:** EU Law – specifically **State Aid** - governs how DECC awards public grants. For this competition, DECC will award grants under Articles 31 and 32 of the **EU General Block Exemption Regulation (GBER)**¹, which can be found at: <http://eur->

¹ Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation) (OJ L 214, 09.08.2008, p 3).

We strongly advise all project applicants to read this.

Q11. What does DECC define as capital costs (project costs)?

A. DECC broadly defines **capital costs** as the construction and start up costs of a project but not its ongoing operation. Capital costs will include expenditure on tangible assets such as land, buildings, machinery and IT systems and intangible assets such as patents, trademarks and some IT software. In all cases, capital costs must fall within **Articles 31 or 32 of the EU General Block Exemption Regulation (GBER)** (see below).

It is for project applicants to agree with their own auditors what costs can be capitalised on their balance sheets.

Q12. What are the requirements of the General Block Exemption Regulation (GBER)² Articles 31 and 32?

A. In summary, the GBER requires that the grant is used to contribute to certain eligible costs incurred in the context of a research and development project (Article 31) or technical feasibility study (Article 32).

For the purpose of this grant competition:

- a) any research and development project must constitute **fundamental research, industrial research or experimental development** (as defined in Article 30); and
- b) any technical feasibility study must be preparatory to **industrial research or experimental development** (as also so defined).

N.B. Applicants should note that the UK Research Councils have made significant investment in **fundamental** research. Therefore, DECC would not fund research in this category - unless there is a significant reason why the UK Research Councils are unable to fund the project.

The amount of public funding is subject to the following limits:

- a) a limit on the **total amount** of public funding for the project (see Article 6); and
- b) a limit on public funding as a **proportion** of the eligible costs of the project (**aid intensity**) (see Articles 4, 31(3) and 31(5)).

You should also be aware that any grants or any other aid you have received towards a project from any public body or EU institution - must be declared and considered when making an application. You cannot receive public money twice for the same specific **project cost**.

² Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation) (OJ L 214, 09.08.2008, p 3).

The award and payment of the grant will be conditional on your compliance with these requirements. If you fail to do so, the grant will be repayable with interest.

Q13. What are the State Aid Definitions of “Industrial Research” and “Experimental Development”?

A. Article 30 of the General Block Exemption Regulation (GBER) lists these definitions:

[http://eur-](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF)

[lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF)

For ease, the definitions are set out below.

Article 30(3)

“Industrial research” means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts to complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes;

Article 30(4)

“Experimental development” means the acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include, for instance, other activities aiming at the conceptual definition, planning and documentation of new products, processes or services. The activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use.

The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs.

The experimental production and testing of products, processes and services shall also be eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially.

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

Q14. What does the EU General Block Exemption Regulation (Article 31) define eligible costs as?

A. In the case of **research and development projects**, Article 31(5) of the GBER limits eligible costs to the following:

- i. **personnel costs** (researchers, technicians and other supporting staff to the extent employed on the research project) [this would include reasonable travel costs; *note earlier point regarding capital costs Q11*];
- ii. **costs of instruments** and equipment to the extent and for the period used for the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice, shall be considered as eligible;
- iii. **costs for buildings and land**, to the extent and for the duration used for the research project. With regard to buildings, only the depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice shall be considered as eligible. For land, costs of commercial transfer or actually incurred capital costs shall be eligible;
- iv. **cost of contractual research**, technical knowledge and patents bought or licensed from outside sources at market prices, where the transaction has been carried out at arm's length and there is no element of collusion involved, as well as costs of consultancy and equivalent services used exclusively for the research activity;
- v. **additional overheads** incurred directly as a result of the research project [*note earlier point regarding capital costs Q11*];
- vi. **other operating expenses**, including costs of materials, supplies and similar products incurred directly as a result of the research activity [*note earlier point regarding capital costs Q11*].

In the case of **technical feasibility studies**, the eligible costs are limited to the costs of the study (see Article 32(3)).

In addition, the eligible costs will be **further limited** by the terms and conditions of the grant, as follows:

- a) Time limitation
- b) Capital costs
- c) Exclusions

Certain costs will be excluded from the eligible costs (were those costs otherwise to fall within the GBER).

You should provide details of capital equipment³ and tools to be bought or consumed on the project. A 'depreciation' value should be calculated by taking the purchase

³ Capital equipment refers to an asset utilised by the planned project, which has a useful life of more than one year, is stand-alone, distinct and moveable.

cost (or net present value at the start of the project, if the equipment is already owned) less its expected residual value at the end of the project. This value is then multiplied by the percentage that the project will be utilising the equipment. This final value represents the eligible cost to the project.

DECC will only cover reasonable costs that are incurred for the project only. DECC will not cross-subsidise other activities.

Q15. What is excluded from eligible costs?

Under no circumstances can the grant be claimed or used:

- a) for activities of a political or exclusively religious nature;
- b) in respect of costs reimbursed or to be reimbursed by funding from other public authorities or from the private sector;
- c) to cover interest payments (including service charge payments for finance leases);
- d) for the giving of gifts to individuals, other than promotional items with a value no more than £10 a year to any one individual;
- e) for entertaining (entertaining for this purpose means anything that would be a taxable benefit to the person being entertained, according to current UK tax regulations);
- f) to pay statutory fines, criminal fines or penalties; or
- g) in respect of VAT that you are able to claim from HM Revenue and Customs.

Please ensure you complete the Partner Cost Breakdown spreadsheet available on our competition web page.

Q16. Can grants be claimed for In-kind contributions?

A.No.

In-kind contributions for grant purposes are defined as goods and services provided free of charge by parties who are not subject to the terms and conditions of the offer letter. They must not be confused with indirect eligible costs incurred by the participants e.g. provision of accommodation, telephone, secretarial services etc which should be included in overheads or specified separately in the cost estimates.

If you have any specific queries around in-kind contributions – please contact us directly: ccs.innovation@decc.gsi.gov.uk

Q17. How many projects will DECC fund within the £20M CCS innovation programme?

A. This depends very much on the project proposals we receive, how they meet the eligibility criteria, how much projects will cost and over what period they can be delivered.

We are limited by: the amount of funding we have available (up to £20 million); the spend profile of this funding across the financial years and; the majority of funding covering capital costs only.

Q18. What period is the funding available for?

A. Funding is available from this current financial year (2012/13) up until 31 March 2015. We also have specific levels of funding allocated for each financial year:

2012/13 – up to £10 million

2013/14 – up to £9 million

2014/15 – up to £1 million

N.B. the majority of funding is for “capital costs”.

The portfolio of projects awarded grants will have to spend the proportional amount of funding in line with the limits set out above.

Funding will be available once we have selected the successful projects. Claims for grants can only be made once the money has been defrayed on capital expenditure as set out in State Aid Regulations.

Q19. How will DECC distribute payment of the grant across the project?

Projects that can demonstrate the majority of the grant could be claimed in FY 2012/13 and 2013/14 will be given greater preference. As necessary, DECC may consider paying a larger percentage towards the earlier parts of projects so long as the total DECC funding remains within State Aid limits.

Q20. What is the duration of the DECC £20 million CCS innovation programme?

A. The grant is available from Financial Year 2012/13 until Financial Year 2014/15. Grants must be spent within these financial years as specified by DECC.

There is scope for the project to continue into 2015/16 but this would be without further grants awarded by DECC.

Q21. What is the maximum project duration that DECC will fund?

A. There is no limit to the duration of the project. However DECC will not provide funding beyond March 2015 and projects must deliver key outputs by March 2015 – as agreed in grant offer letters – and provide evidence that the project will ultimately deliver its objective and contribute to cost competitive CCS in the 2020s

Q22. Can bidders who have applied for the £1b billion DECC Commercialisation Competition apply for this £20 million innovation competition?

A. Yes. An organisation can apply to both, but each proposal must be different – although they can be linked. The eligibility criteria and scale of each of our CCS competitions are different and each project will be judged on its merit.

Q23. If projects apply to public bodies outside DECC for grants (e.g. Technology Strategy Board, Energy Technologies Institute (ETI), Research Councils, European Commission FP7 call) can they apply to this call too?

A. Yes. Projects must make clear on all applications that they are applying for other public grants. Projects must meet the eligibility criteria of this competition to be selected. The onus is on the project consortium to ensure they do not receive more than one public grant for a particular project or piece of work, and that organisations do not exceed aid limits or aid intensities as set out in the GBER.

http://ec.europa.eu/competition/state_aid/overview/index_en.html

Q24. Would DECC fund a project that involved international collaboration or sub-contracting expertise from an overseas organisation?

A. Any project must demonstrate how it will contribute to cost competitive CCS by the 2020s. The majority of the project should take place in the UK.

All project proposals must meet the project eligibility criteria as laid out in the Guidance for Applicants document and must adhere to state aid legislation under the General Block Exemption Regulation

Q25. How will companies be assessed financially?

A. DECC will carry out financial due diligence checks on all applicants to ensure the viability of the project and its consortium members.

STRAND 1: FEASIBILITY STUDIES

Q26. Can feasibility studies be paper-based?

A. Yes – although we would give greater weighting to those projects which go further than a paper-based study. All proposals should be innovative ideas that meet the project eligibility criteria as laid out in the Guidance for Applicants.

Q27. How should bidders make contact with Ferrybridge and Aberthaw carbon capture plants?

A. Please contact The OCCS for more information: ccs.innovation@decc.gsi.gov.uk
Please note that:

- SSE and RWE npower will not commit themselves to any projects until DECC has been through the full competition and assessment process. The closing date for registration for this CCS innovation competition is 22 June. The deadline for applications is 29 June.
- SSE CCPilot100+ and RWE Aberthaw may require non-disclosure agreements to be signed.

NEW QUESTIONS 18 June 2012

Q28. What information will DECC publish relating to the project?

A key objective of the innovation competition, justifying public funding, is the dissemination of information and learning relating to CCS technologies and their application. We anticipate that the information published will include short statements describing the Projects (as per Guidance for Applicants Section 5 - page 32 and Application Form page 12), and the equipment and technologies involved, and reports on the outcome and/or outputs of the project. These reports will not normally include Intellectual Property. Provided that the aforementioned objective is met, DECC will (in its absolute discretion) give due consideration to any representations made by Participants in relation to any more detailed or technical information that Participants reasonably consider to be commercially sensitive. This includes having regard, for example, to Participants' **intellectual property** rights. Participants must draw such concerns to DECC's attention in good time and in writing.

Please note that DECC will disclose information where required to do so by law. This includes requests made under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 as well as the disclosure of information to its agents, to other public bodies and their agents, and to the European Commission and its agents. Where this information would otherwise be reasonably regarded as confidential, then DECC shall notify the Participant(s) of the request.

Q29. Can any equipment constructed or purchased as part of the project be used at the end of the funding period?

A. Yes, but Participants' attention is drawn to Article 30(5) of the General Block Exemption Regulation. Under Article 30(5), any revenue from commercial use of demonstration or pilot projects must be deducted from the eligible costs and the experimental production and testing of products, processes and services constitute eligible costs only in so far as these cannot be used or transformed to be used in industrial applications or commercially. Accordingly, should Participants use the equipment for commercial purposes then the grant may be reduced or, if already paid, become repayable (together with interest) in proportion to any revenue generated.

Q30. As part of the “Project Costs Summary”, where should participants include project estimates of costs across financial years?

A. The Guidance for Applicants document requires bidders to provide estimates of how costs will be spent across the financial years of the project. Please provide this information on a separate page (no more than 1 A4 side). Please title this as “Appendix E: Estimate of project costs across financial years”.