

EUROPEAN INNOVATION FUND CALL 2023 AND HYDROGEN AUCTION PILOT - SUMMARY

On 23 November the European Commission opened to new calls aiming to support EU's decarbonisation objectives:

- The new 2023 Innovation Fund call for a total amount worth at least € 4 Bn.
- The new auction pilot from the Hydrogen bank to fund Renewable Hydrogen projects. € 800 M has been allocated to this specific auction.

About the Innovation Fund

The Innovation Fund is a major programme for the demonstration of innovative low-carbon technologies, with the aim of decarbonising Europe and supporting its transition to climate neutrality. The fund's objectives include supporting projects that demonstrate highly innovative technologies, processes, business models, or products and services with the potential to significantly reduce greenhouse gas emissions. These projects should align with various EU policies and strategies, such as the European Climate Law, the European Green Deal, and the REPowerEU Plan, focusing on areas like renewable energy, the circular economy, biodiversity, and the bioeconomy. The fund is also intended to complement other EU programmes, contributing to industrial competitiveness, strategic autonomy, and achieving climate neutrality by 2050.

The new 2023 Innovation Fund regular grant call

This call reflects several EU directives and strategies. It includes increased targets for renewable energy, promoting clean hydrogen as a decarbonisation solution, biodiversity conservation, and sustainable bioeconomy. The updated Renewable Energy Directive and the REPowerEU Plan set specific goals for renewable hydrogen production and imports. Furthermore, the EU ETS Directive has been revised to extend the Innovation Fund to medium-scale projects, including in the maritime sector, buildings, and road transport. The Fund also provides project development assistance through the European Investment Bank.

This year, a major change in the Innovation Fund call happens: the cost efficiency ratio reduces from 600 EUR per ton of CO₂-equivalent to 200 EUR per ton of CO₂-equivalent. This represents a significant shift in the fund's approach to financing projects related to carbon dioxide reduction. This change reflects a more ambitious stance on cost efficiency in carbon reduction, potentially driving innovation while also posing new challenges for project developers. It indicates a shift towards more cost-effective, scalable, and sustainable solutions in the fight against climate change.

Funding opportunities for projects are of varying scales – large, medium, and small – under the general decarbonisation theme. Eligible projects may include innovation in low-carbon technologies and processes in specified sectors, carbon capture and utilisation (CCU), renewable energy, energy storage technologies maritime and aviation. A dedicated call focuses on pilot projects Pilot with CAPEX above €2.5 million focusing on deep decarbonisation. Finally there is also a focus on hydrogen applications in industry and the maritime and wind energy, emphasising breakthrough technologies such as energy efficiency, sustainable alternative fuels, and zero-emission propulsion technologies. The call encourages the building of industrial capacity, technology leadership, and supply chain resilience within the EU. Only projects that have not commenced at the time of the grant application are eligible for funding.

Here is a summary of the 5 calls open under the Innovation Fund call 2023:

1. INNOVFUND-2023-NZT-GENERAL Program

- Large-Scale Projects (LSP): EUR 1.7 billion budget.
- Medium-Scale Projects (MSP): EUR 500 million budget.
- Small-Scale Projects (SSP): EUR 200 million budget.



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Scope: Funds activities supporting innovation in low-carbon technologies, carbon capture/utilisation (CCU), renewable energy, energy storage, and emission mitigation. Maritime and Aviation Support: Includes funding for innovative technologies in these sectors, focusing on zero-emission propulsion and sustainable fuels.

2. INNOVFUND-2023-NZT-MANUFACTURING

- Budget: EUR 1.4 billion.
- Objectives: Support manufacturing of clean-tech components for hydrogen production, renewable energy, and energy storage.
- Scope: Includes construction and operation of manufacturing facilities, focusing on renewable energy installations, electrolyzers, fuel cells, energy storage, and heat pumps.
- Exclusions: Innovative use of components in power generation, energy storage, or hydrogen production/consumption is not funded.

3. INNOVFUND-2023-NZT-PILOTS

- Budget: EUR 200 million.
- Objectives: Support pilot projects for innovative, deep decarbonisation technologies.
- Scope: Includes construction and operation of pilot projects for renewable energy installations, CO2 storage solutions, and energy storage.
- Criteria: Projects should demonstrate innovation and the potential to move to large-scale demonstration or commercial production.

Overall Budget and Timetable

- Total Budget: Estimated at EUR 4 billion, with the possibility of a 20% increase.
- Call Opening: 23 November 2023.
- Submission Deadline: 09 April 2024.
- Evaluation Period: April-October 2024.
- Results Announcement: November 2024.
- Grant Agreement (GA) Signature: February 2025.

The new Hydrogen Auction Pilot

This new auction aims to bolster the production of renewable hydrogen in Europe. This initiative is backed by an initial €800 million from emissions trading revenues, allocated through the Innovation Fund, in the frame of the new Hydrogen Bank. It enables producers of renewable hydrogen to compete for support in the form of a fixed premium per kilogram of hydrogen produced. This premium aims to bridge the gap between the higher production costs of renewable hydrogen and the lower prices consumers are currently prepared to pay, in a market where non-renewable hydrogen remains cheaper to produce.

The Hydrogen Bank complements other policy instruments in establishing a market for renewable hydrogen, spurring investments in production capacity, and scaling up production.

Under the pilot auction are invited to submit bids for EU support for a specified volume of hydrogen production. The bids are based on a proposed price premium per kilogram of renewable hydrogen, with a ceiling of €4.5/kg. The bids will be ranked from the lowest to highest proposed price and awarded support accordingly, until the auction's budget is depleted. The selected projects will receive their awarded subsidy on top of the market revenues generated from hydrogen sales, for a duration of up to 10 years. Following the signing of their grant agreements, the projects must commence renewable hydrogen



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production within five years. Cumulation with other types of aid from participating Member States is not permitted.

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- Evaluation Period: February-April 2024.
- Results Announcement: April 2024.
- Grant Agreement (GA) Signature: Nov 2024.

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