

ACCESS TO PUBLIC FUNDING

DESCRIPTION:

Innovation projects often carry not only technical but also financial risks which make it difficult for companies to invest with a reasonable rate of return. This is where the role of public funding comes in. Access to a clear and transparent public funding framework is essential to further innovation in Europe. For the moment, there are still too many hurdles that impede that easy access.

Type of barrier: **THEMATIC**

Sectors involved: **ALL SPIRE SECTORS**

Challenges

EU project funding has been particularly important for de-risking early stage research, as well as helping overcome technological challenges. EU R&I funding has financed innovations with strong market potential, which is vital if technologies are to achieve commercialisation, and could help improve the competitiveness of European industry. However, there are limited funding options for demonstration plants and first-of-a-kind plants in Europe while risk-sharing is essential to the deployment of breakthrough technologies in the process industry. In this regard, the EU should coordinate multiple sources of funding for First-of-a-Kind (FOAK) demonstrations. A particularly critical and challenging step for many projects is raising funding for a FOAK demonstration, which calls for a targeted policy response. To coordinate multiple sources of funding for FOAK demonstrations would support industries to align their investment plans better. A few options and their combination could facilitate the launch of projects with the industry, such as; loans, grants, and equity instruments on a first-loss basis to crowd-in private investment for projects. For example, the EU could provide grants through the ETS Phase IV Innovation Fund, loans through the recently established European Demonstration Projects facility (part of InnovFin), and equity through a new dedicated FOAK fund.

On the other hand, the bottom-line is that Boards of companies are looking at financial feasibility of projects on the basis of their own financial input and the public financing contribution: uncertainties about scope, timing and application procedures often makes these decisions needlessly complicated. To this end, there are several hurdles:

- **Lack of clarity on the interplay between different funding instruments:**
For instance, how funding under the Horizon program is coordinated with other funding mechanisms such as the Innovation Fund under the EU ETS Directive or regional funding and Cohesion Fund or Structural Funds; it needs to be clarified what funding is available for research and what for pre-commercial demonstrators and whether both funding sources can be combined;

- **Different application procedures and different DG's in charge:**
the lack of coordination in the design and implementation in silo of different instruments with their own objectives, programming, timing, application and selection procedures.
- **Coordination between European and national aid and the role of state aid:**
Application procedures for EU funding are not aligned with the timing for possible complementary state aid which, if not block exempted, needs to go through a notification procedure with DG COMP. In addition, it is often not clear in advance whether EU and national aid can be combined. Often, it is at the stage of the state aid assessment that a limitation is put on the level of national aid that can be given in combination with EU funding. That does not further legal certainty and transparency upfront.

Potential solutions

Technological solutions to policy goals will only see the light of day if R&I projects succeed in scaling up their innovations, which is a considerable challenge. The EU is expected to provide smart R&I support, marshalling its financial resources and communication capabilities, to ensure that projects of relevance to policy challenges progress in their TRL journey and are proven at scale. In line with this, Demonstrating the industrial feasibility of system solutions with strategic potential, high impact and considering higher TRLs. Demonstrators are required to test technologies at scale and explore integration with existing processes to better understand the techno-economics which will help further de-risk future investment and set the right framework for competitive technology application in Europe. Some solutions are enumerated below:

- **Create a one-stop shop** for funding applications and align state aid assessments with EU funding assessments
- Provide upfront clarity about scope of funding and **combination of funding opportunities**
- **Coordinate multiple sources of funding** for key demonstration projects
- **Flexible funding instruments** able to finance demonstration activities (e.g. TRL8, or even TRL9) to meet the industry's leverage in cases where this may lead to achieving substantial impact and trigger faster deployment at real scale, for instance when pioneering a technology from Europe to ensure leadership in global markets.

List of related legislation

Horizon 2020 and Horizon Europe.

State aid rules and more specifically the "**Guidelines for State Aid on Environmental Protection and Energy 2014-2020**", *O.J. 2014, C 200, p. 1-29*, 'Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest' (2014/C 188/02).

Directive 2003/87 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/CE, as amended in 2018, O.J. 2018.