

Energy Innovation Grant Funding Options

August 2021 Update



Current and upcoming grant funding options

Low Carbon Innovation Fund 2 (“LCIF2”)

- Focuses on SMEs operating, or committing to operate, in England that make measurable reductions to greenhouse gas emissions.
- Particularly interested in investing in companies operating in the East of England.
- Seeking to invest £11 million to help close funding rounds worth at least £30 million.
- There are no specified limits for the amount of funding that can be given to one project.
- Invests only alongside other co-investors (if an eligible SME does not have such co-investors then LCIF2’s fund manager may be able to assist with finding co-investors). There is no specified minimum amount co-investors must invest alongside LCIF2.
- Invests in both late stage ventures and early stage ventures.
- Deadline for applications: **no deadline for applications currently specified.**



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Local Energy Accelerator (“LEA”)

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- Focuses on both public and private organisations developing clean and locally generated energy projects.
 - Projects funded must be in Greater London.
 - £6 million programme delivering funding from November 2020 until the end of July 2023.
 - 50% of funding from Greater London Authority, 50% from European Regional Development Fund.
 - An expert Programme Delivery Unit (“PDU”) will provide free end-to-end project management support to eligible organisations.
- Funding will be used to provide eligible organisations with expertise to support work involved in the following stages of energy projects:
 - i. Energy Masterplanning and Local Area Energy Plans.
 - ii. Feasibility studies.
 - iii. Business plans.
 - iv. Detailed project design/development.
 - v. Procurement support.
 - vi. Commercialisation support.
 - vii. Day-to-day intensive project management support for projects at commercialisation and construction stages, where this support cannot be provided by the PDU, funded by any other means or provided in house.



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- Funding applications will be prioritised for projects in the later stages of project definition and delivery, i.e. those in stages (iii)-(vii) above.
- Support for an existing project may be considered where it would increase the scope or scale, deliver greater carbon savings, or deliver cost savings to residents or businesses.
- Eligible projects will transform the way London generates, supplies and uses clean local energy in buildings and transport. Examples include:
 - District energy networks that use renewable heat sources in heat network priority zones.
 - Renewable energy generation, storage and demand flexibility in areas of electricity grid constraint.
 - Priority areas for transport electrification.
- **All LEA projects must be completed no later than 31 July 2023.** Funding will be prioritised for projects that will be completed ahead of this date.
- Deadline for applications: **no deadline for applications currently specified.** However once all funding has been allocated, applications will no longer be accepted.



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Clean Growth Fund (“CGF”)

- Focuses on UK-based companies with commercially viable solutions that are generating early revenues, but also considers pre-revenue businesses with a minimum viable product.
- Criteria for investment are:
 - i. Substantial addressable markets.
 - ii. Scalability with a clear sustainable competitive advantage.
 - iii. Led by teams that have proven execution ability.
 - iv. Identifiable exit route within the lifetime of the CGF.
 - v. Clear and significant contribution to reducing greenhouse gases or improvement to resource efficiency across power, transport, industry, buildings, waste and water.
- Typical first round investment tends to be in region of £500k – £3 million, however the fund actively participates in follow on rounds so the overall investment in a company can be much higher.
- Deadline for proposals: **no deadline for proposals currently specified.**



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Innovate UK Smart Grants: May 2021

- Investment coming from Innovate UK, part of UK Research and Innovation, the national funding agency investing in science and research in the UK.
- Total investment pot of up to £25 million for “the best game-changing and commercially viable innovative or disruptive ideas”. These can come from any area of technology that can be applied to the economy, but applications are particularly welcomed from projects which overlap with the “Grand Challenge” areas (including AI and the data revolution, ageing society, future of mobility and clean growth).
- Projects must satisfy the following eligibility requirements:
 - i. They must include at least one micro, small or medium-sized enterprise, either as a lead or a collaborative grant claiming partner.
 - ii. The project must start no later than 1 February 2022 and end no later than 31 January 2025.
 - iii. Project durations between 6 and 18 months must have total eligible project costs between £25,000 and £500,000. They can be single or collaborative projects.
 - iv. Project durations between 19 months and 36 months must have total eligible project costs between £25,000 and £2 million (although a project exception request may be granted for projects with total eligible costs of up to £3 million). They must be collaborative projects.
 - v. Project leads must be a UK registered business or a research and technology organisation.
- The competition opened on **28 May 2021** and closes to applications on **11.00 GMT 25 August 2021**.



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ISCF smart sustainable plastic packaging: business-led R&D

- Investment coming from Innovate UK, part of UK Research and Innovation, the national funding agency investing in science and research in the UK.
- Total investment pot of up to £7 million from the Smart Sustainable Plastic Packaging Programme in innovation projects. The projects must have the potential to significantly impact the 2025 UK Plastics Pact targets in the long term and address widely known problems related to plastic packaging for consumer products.
- Proposals must:
 - i. improve the sustainability of the plastic packaging supply chain;
 - ii. make a significant contribution towards delivering the targets of the UK Plastics Pact;
 - iii. utilise at-scale innovation in design, technology, processes, business models, supply chains or data for plastic packaging; and
 - iv. embed a whole systems approach to plastic packaging sustainability, considering environmental, economic, and social factors.
- Projects must satisfy the following eligibility requirements:
 - v. The project must start in early 2022 and end no later than 31 March 2025.
 - vi. Project durations between 12 and 36 months and total eligible costs between £200,000 and £4 million. They can be single or collaborative projects.
 - vii. Project leads must be a UK registered business.
- The competition opened on **18 May 2021** and closes to applications on **11:00 GMT 8 September 2021**.



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Innovate UK Driving and Electric Revolution challenge: Driving the electric revolution – building talent for the future

- Investment coming from Innovate UK's Driving the Electric Revolution challenge, part of UK Research and Innovation, the national funding agency investing in science and research in the UK.
- The challenge aims to create world leading supply chains in the UK and expertise for the manufacture of power electronics, machines and drives ("PEMD") across multiple sectors.
- Total investment pot of up to £250,000. The aim of the competition is to fund several ideas that quickly fill immediate gaps in skills, talent and training for PEMD industry.
- The projects must deliver a clear game-changing intervention, which would realistically and significantly meet a UK PEMD talent requirement.
- Projects must satisfy the following eligibility requirements:
 - i. The project must start no later than 1 February 2022 and end no later than 30 April 2022.
 - ii. Projects must carry out work in the UK and intend to exploit the results from or in the UK.
 - iii. Project duration up to 3 months and total eligible costs between £10,000 and £25,000. They can be single or collaborative projects.
 - iv. Project leads must be a UK registered business, research organisation, charity or public sector organisation.
- The competition opened on **9 August 2021** and closes to applications on **11:00 GMT 15 September 2021**.



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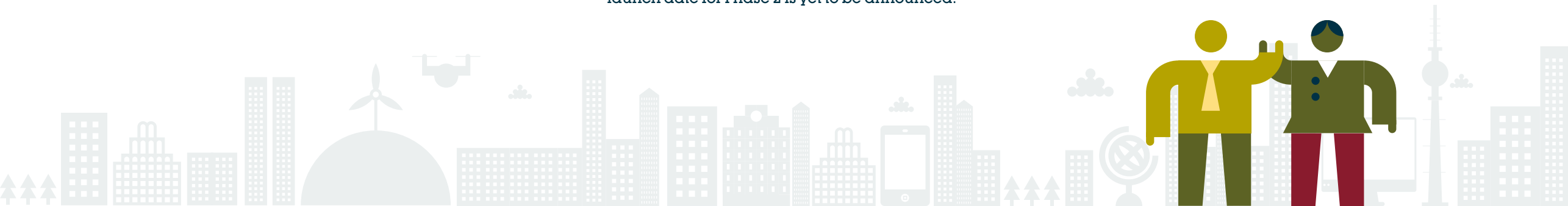
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Funding opportunities on the horizon

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- Industrial Energy Transformation Fund 2 ("IEFT2")
 - Phase 2 of the government's Industrial Energy Transformation Fund will launch during 2021.
 - Focus will be on helping businesses with high energy use to cut their energy bills and carbon emissions through investing in energy efficiency and low-carbon technologies.
 - Available for businesses in England, Wales and Northern Ireland.
 - Funding will consist of what remains of the £289 million funding left after Phase 1 of the Industrial Energy Transformation Fund, which received up to £30 million funding in 2020.
 - Funding will be available up from 2021 until 2024.
 - Phase 1: Spring 2021 closed on 14 July 2021. The launch date for Phase 2 is yet to be announced.
- As part of his "Ten Point Plan" for a "Green Industrial Revolution" announced on 18 November 2020, Prime Minister Boris Johnson set out the following key funding commitments towards energy innovation:
 - an additional £200 million of new funding to create 2 carbon capture clusters by the mid-2020s;
 - up to £500 million will be made available for trialling homes using hydrogen for heating and cooking, starting with a Hydrogen Neighbourhood in 2023, moving to a Hydrogen Village by 2025, with an aim for a Hydrogen Town before the end of the decade. Of this funding, £240 million will go into new hydrogen production facilities;



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- £1.3 billion of funding will be made available to accelerate the rollout of electric vehicle charging infrastructure in homes, streets and on motorways across England, so people can more easily and conveniently charge their cars;
- nearly £500 million is to be spent in the next four years for the development and mass-scale production of electric vehicle batteries, to assist with the transition to ending sales of new petrol and diesel cars and vans by 2030; and
- £20 million is to be allocated for a new competition to develop clean maritime technology.

Further details about the potential funding opportunities these commitments will generate are expected in due course. For opportunities under the £1 billion Net Zero Innovation Portfolio fund, please see [here](#).

Source: www.gov.uk/government/news/pm-outlines-his-ten-point-plan-for-a-green-industrial-revolution-for-250000-jobs

- As part of its RIIO-2 gas and electricity transmission, gas distribution and system operator price controls framework for 2021-2026, Ofgem has set out its proposals for a 5-year investment programme of £30 billion, with potential for an additional £10 billion or more, to allow companies to bring forward strategic network investments during the price control to help meet Net Zero.



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- This includes:
 - £3 billion of funding to be given to connect more green electricity to the grid, and upgrade transmission links to take on more renewable power;
 - At least £659m of innovation funding to be granted to TSOs to invest in green energy R&D. This will be comprised of at least £450m under the Strategic Innovation Allowance and at least £209 under the Network Innovation Allowance;
 - Over £500 million in funding to reduce networks' own impact on the environment (e.g. fleet emissions, greenhouse gas emission and resource use and waste); and
 - New potential net zero funds throughout price control, including upgrades and innovation for low carbon heating network infrastructure.

The price controls framework will be implemented from 1 April 2021 and a consultation on the draft determinations closed in September 2020. Details on implementation of the Ofgem funding commitments proposed under the new price controls framework are expected in due course.

Source: www.ofgem.gov.uk/system/files/docs/2020/12/final_determinations_-_core_document.pdf



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- On 14 December 2020, BEIS published its long-awaited Energy White Paper, which includes targets for a wide range of low carbon technologies including hydrogen, onshore wind and solar, and a roadmap for how the government intends to reach those targets. The White Paper outlined several forthcoming incentives to attract private capital to scale up production, including:
 - confirmation that of the £1.3 billion made available to accelerate the rollout of electric vehicle charging infrastructure under the Prime Minister's Ten Point Plan, £950 million will be invested in future proofing grid capacity along the strategic road network, to prepare ahead of the need for 100% take-up of zero emissions cars and vans;
 - a commitment of £122 million in funding towards a new Heat Network Transformation Programme, to encourage existing heat networks to transition to low or zero-carbon heat sources; and

- creation of a new Net Zero Hydrogen Fund to support low-carbon hydrogen production, which will provide capital co-investment through to 2024/25.

Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945899/201216_BEIS_EWP_Command_Paper_Accessible.pdf

- BEIS is currently running a consultation on the design of the Green Heat Networks Fund, a new £270 million fund due to run from 2022 to 2025 targeted at supporting the development of low-carbon district heat networks, both new and existing. It is envisaged that funding will be specifically targeted at the construction of low-carbon heat generation assets, however there will likely be a mechanism to support pipework infrastructure as well. Further details concerning the new fund are expected following BEIS's analysis of industry feedback.

Source: www.gov.uk/government/consultations/green-heat-network-fund-proposals-for-the-scheme-design



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- On 24 May 2021 the UK government announced a £166.5 million funding package to develop technologies in carbon capture, greenhouse gas removal and hydrogen, while also helping find solutions to decarbonise the UK's polluting sectors including manufacturing, steel, energy and waste.

Source: www.gov.uk/government/news/166-million-cash-injection-for-green-technology-and-60000-uk-jobs

- On 17 June 2021, the UK government launched the UK Infrastructure Bank ("UKIB"). UKIB will have an initial £12 billion of capital to deploy and will be able to issue £10 billion of government guarantees, helping to unlock more than £40 billion of overall investment. UKIB was able to issue loans, equity, or guarantees to private projects from 17 June and will start lending to local authorities later in the summer.

Source: www.gov.uk/government/news/166-million-cash-injection-for-green-technology-and-60000-uk-jobs



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