

# Energy Innovation Grant Funding Options

February 2021 Update



## 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.**



# Energy Innovation Grant Funding Options

February 2021 Update



## Local Energy Accelerator (“LEA”)

- 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.
- Funding applications will be prioritised for projects in the later stages of project definition and delivery, i.e. those in stages (iii)-(vii) above.



# Energy Innovation Grant Funding Options

February 2021 Update



- 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.



# Energy Innovation Grant Funding Options

February 2021 Update



## 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.**



# Energy Innovation Grant Funding Options

February 2021 Update



## Innovate UK Smart Grants: January 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, 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 July 2021 and end no later than 31 July 2024.
  - 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 **21 January 2021** and closes to applications on **11.00 GMT 26 May 2021**.



# Energy Innovation Grant Funding Options

February 2021 Update



## ISCF TFI: large collaborative R&D projects

- UK registered businesses can apply for a share of up to £8 million for research and development projects to improve the productivity and competitiveness of UK foundation industries.
- The six foundation industries sectors include:
  - i. Cement.
  - ii. Paper.
  - iii. Glass.
  - iv. Ceramics.
  - v. Metals.
  - vi. Chemicals.
- Eligible projects must address one or more resource or energy efficiency challenges that are common to two or more of the six foundation industries sectors. Projects must address one or more of these themes:
  - i. Heat recovery and utilisation;
  - ii. Sensors, controls and digitalisation;
  - iii. Waste utilisation and symbiosis; and
  - iv. Other energy or resource efficiency improvements (business model, process, product or supply chain.
- Projects must:
  - i. Have total eligible costs between £1 million and £2 million;
  - ii. Start by 1 September 2021; and
  - iii. Last between 12 and 24 months.
- If a project's total eligible costs or duration falls outside of these eligibility criteria, businesses must provide justification at least 10 working days prior to the competition closing date.
- The competition closes at **11.00 GMT 10 March 2021**.



# Energy Innovation Grant Funding Options

February 2021 Update



## Funding opportunities on the horizon

- **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.
  - **Details 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;



# Energy Innovation Grant Funding Options

February 2021 Update



- £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.

Source: <https://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. 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.

Sources: [https://www.ofgem.gov.uk/system/files/docs/2020/12/final\\_determinations\\_-\\_core\\_document.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/12/final_determinations_-_core_document.pdf)





# Energy Innovation Grant Funding Options

February 2021 Update



- 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](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: <https://www.gov.uk/government/consultations/green-heat-network-fund-proposals-for-the-scheme-design>



# Energy Innovation

## Grant Funding Options

February 2021 Update



### Key Contacts



**Deborah Harvey**  
Associate Director & Head of Energy  
Innovation, UK  
T +44 207105 7644  
[deborah.harvey@osborneclarke.com](mailto:deborah.harvey@osborneclarke.com)



**Caroline Saul**  
Partner – Energy Finance, UK  
T +44 117 917 4318  
[caroline.saul@osborneclarke.com](mailto:caroline.saul@osborneclarke.com)

