



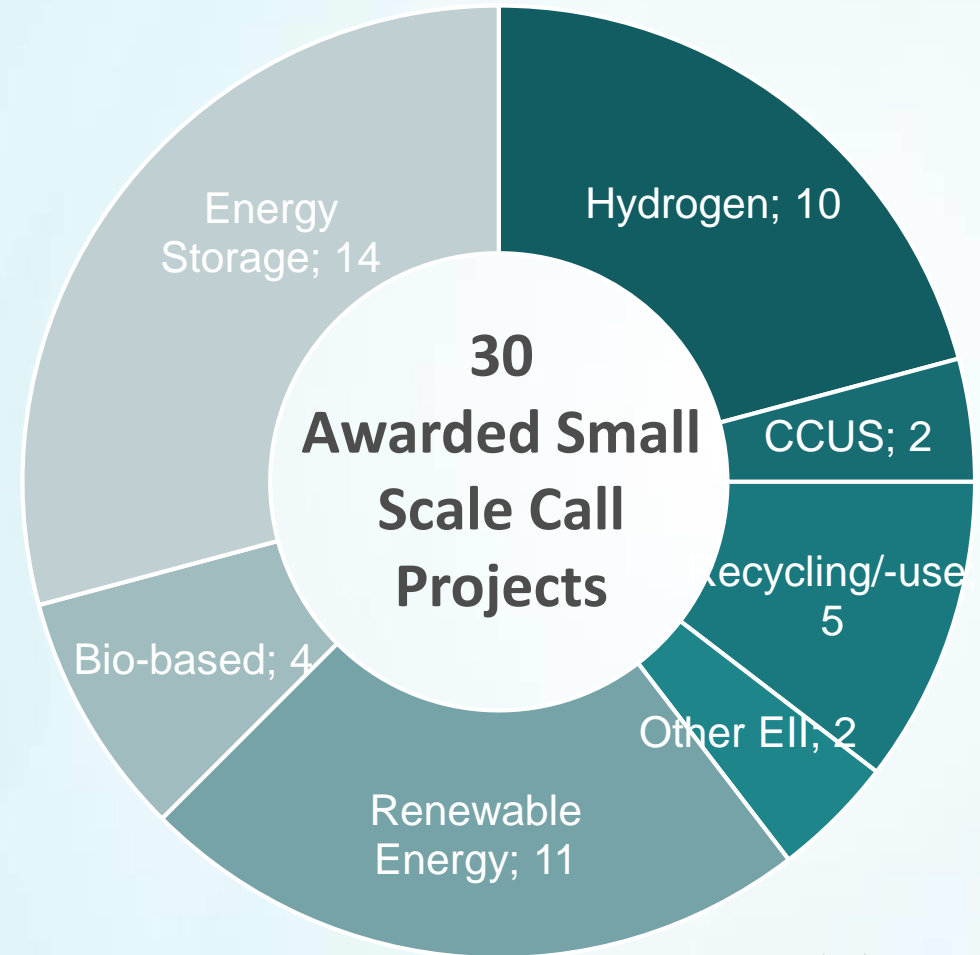
Innovation Fund

Competitive Bidding Mechanism

28 April 2022



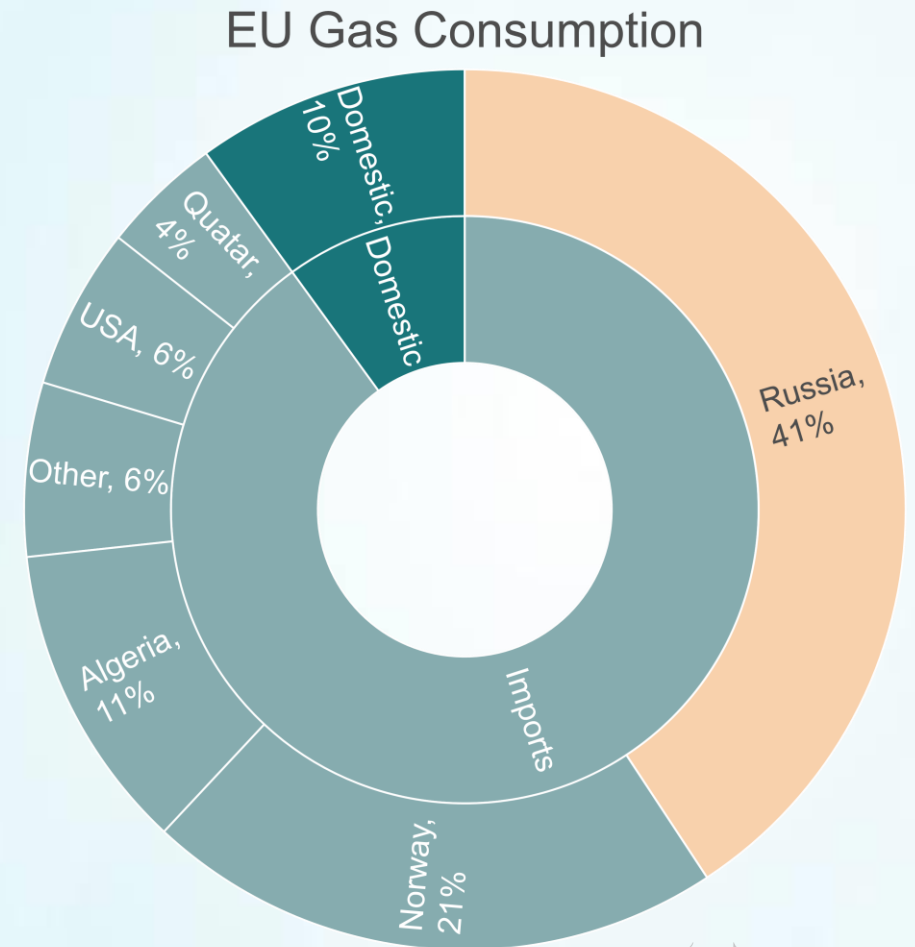
Technological pathways cover various sectors



Repower EU (8th March Communication)

1. Emergency measures (mitigating retail prices; gas storage)
2. Diversification of gas supplies (LNG; pipeline sources, biomethane)
3. Reducing faster our dependence on fossil fuels (energy savings; RES permitting; rolling out solar, wind and heat pumps; industry decarbonisation)

➔ Follow-up Communication in May



Decarbonising Industry

“The REPower EU plan could accelerate the deployment of innovative hydrogen-based solutions and cost-competitive renewable electricity in industrial sectors. The Commission would bring forward the implementation of the Innovation Fund in order to support the switch to electrification and hydrogen, including through an EU-wide scheme for carbon contracts for difference, and to enhance the EU’s manufacturing capabilities for innovative zero and low carbon equipment, such as electrolysers, next generation solar/wind, and other technologies...”

- **frontload financial resources** in the IF
- specific focus on **priority areas**, such as **clean hydrogen applications and electrification in industry**, or **manufacturing of low carbon equipment**
- **broadening the portfolio of instruments** (like competitive bidding for contracts for difference, as already proposed in the on-going revision of the ETS)

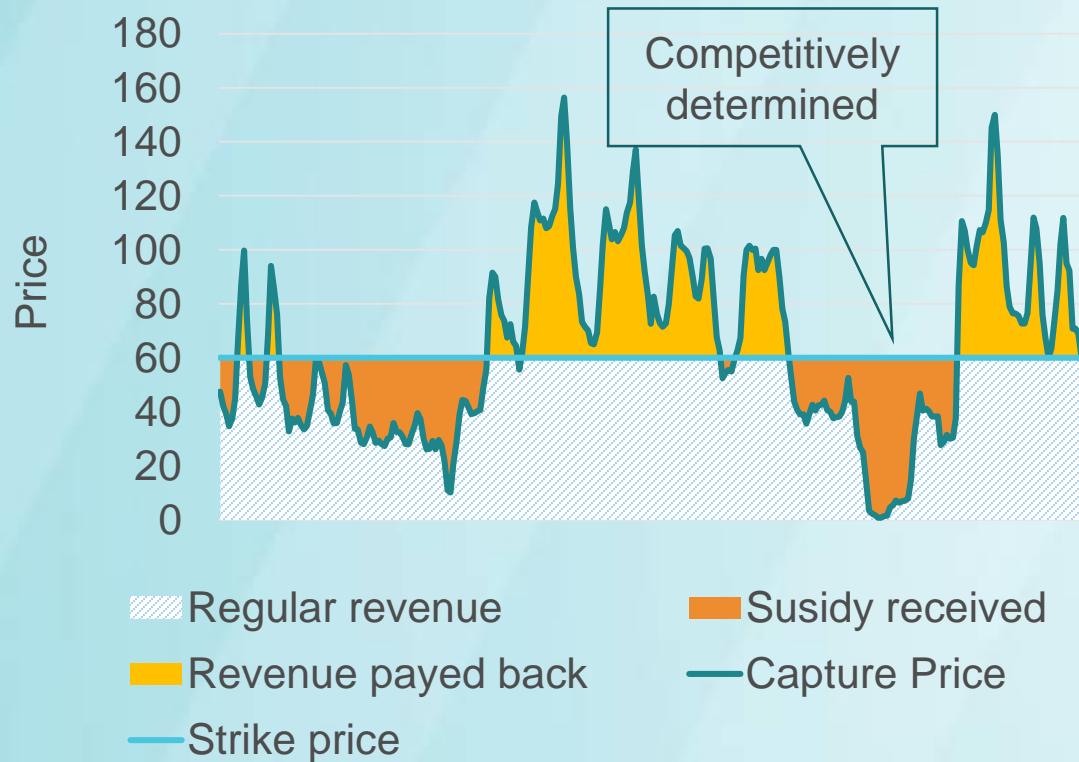
Development of competitive bidding in the IF

ETS Directive revision creates basis for “competitive bidding” to cover “up to 100% of relevant cost”. Developing a CfD or CCfD under the IF will:

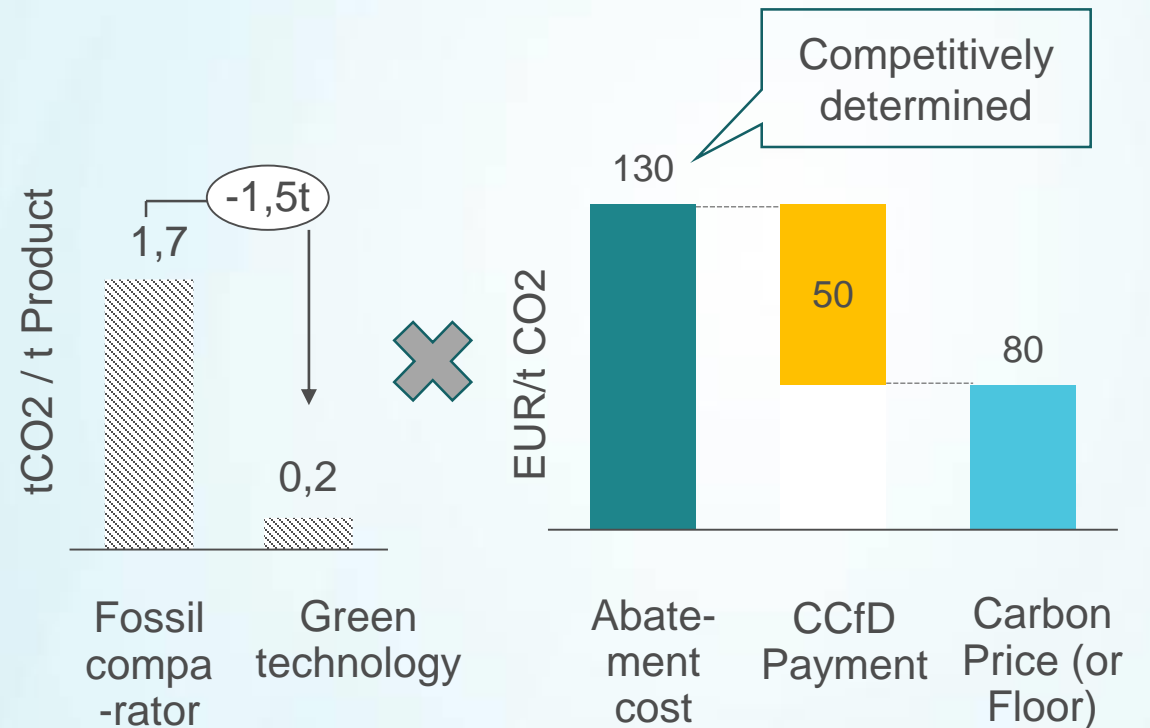
- Allow us to tackle 2nd+ of a kind projects with the aim of commercialization
 - Increase the bankability of projects, leveraging private sector capital
 - Create direct competition on an abatement cost metric for projects looking for subsidies
- It will also require an amendment to the Delegated Regulation of the Innovation Fund to define the governance and procedures to implement this instrument

Recap: CfDs and CCfDs

Exemplary Contract for Difference



Exemplary Carbon Contract for Difference



Question for discussion

- Avoiding detrimental interaction with the ETS: How not to weaken the price signal by pulling things “down the abatement cost curve”
- Pure hedging vs. subsidies: What level of support is justified?
- Mechanism design and compatibility with EU Financial Regulation
- What is the rationale for an EU-wide mechanism? How may it interact with Member States’ schemes?

Where to find more information?



All (past) call documents available on the **Funding and Tenders Portal** including:

- ✓ Guidance and calculation tools on GHG emissions and relevant costs
- ✓ Frequently asked questions

<https://europa.eu/!QB67by>



Further info, planning of new calls, recorded webinars and videos available on the IF Website:

<https://europa.eu/!rx34Dt>



Innovation Fund - YouTube

<https://bit.ly/2WxK8w7>

