

Brussels, 10 April 2018

**POST 2020 – EU EMISSION TRADING SYSTEM (ETS):
Key messages regarding the establishment
of the Innovation Fund**

Orgalime welcomes the current Commission public consultation on the establishment of the ETS Innovation Fund, which aims at supporting the demonstration of Carbon Capture, Storage and Utilisation facilities, innovative renewable energy technologies and low-carbon technologies and processes as integrated approaches in energy intensive industrial sectors.

In order to help the industry and the power sectors meet the innovation and investment challenges of the transition to a low-carbon economy, Orgalime would like to provide the following main recommendations for the establishment of the Innovation Fund:

- **Regarding the envisaged eligibility criteria**, we recommend **focusing on “areas of innovation” instead of pre-defining “most important eligible technologies”** to support innovation in low-carbon technologies, processes and products in industrial sectors listed in annex 1 of the EU ETS Directive:

Project selection in general must be based on objective, transparent criteria, including among others the potential for emission reductions, potential for wide cross sectorial application, or significant reduction of the costs of transitioning towards a low carbon economy in the sectors concerned. Criteria such as “high value-added potential”, “capacity to create new markets”, and “replicability and spill overs to other sectors” should also be considered to maximise the potential and impact of the Innovation Fund.

To effectively support the deployment of innovative renewable energy technologies and industrial break-through innovation in low-carbon technologies and processes in the European Union, the suggested approach of identifying most important eligible relevant technologies in our view risks missing and limiting innovation potential and hampering the principle of technology neutrality. There is no “one size fits all” approach to boost innovation, but there are different areas of innovation, such as energy efficiency, renewable energy sources and flexibility technologies including storage and demand response, that should all be eligible for projects to be funded by the Innovation Fund.

Furthermore, we believe that delivering on the aim of the Innovation Fund will require looking beyond generation assets to energy and resource management solutions: in order to maximise innovation potential and cost efficiency, the whole energy system needs to be covered. Demand side management, digitised distribution grid, and low voltage management in addition to innovative generation assets will support a cost-efficient low-carbon transition and supply of decarbonised energy to customers.

Orgalime, the European Engineering Industries Association, speaks for 42 trade federations representing the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs nearly 11 million people in the EU and in 2016 accounted for some €2,000 billion of output. The industry represents over a quarter of the output of manufactured products and over a third of the manufactured exports of the European Union.

Setting deadlines for reaching specific milestones, especially for the investment process, in the eligibility criteria of projects could in our view support the effectiveness of the Innovation Fund.

- **Regarding the type of support criteria and possible modulation of the maximum support rate** (up to 60% of relevant costs), we think that the maximum funding rate should be variable depending on the stage of technology development, high value-added potential, capacity to create new markets, replicability and spill overs to other sectors and related technology risks.
- **Regarding the application and selection procedure**, we believe in regular calls at pre-defined dates as the most appropriate option. A single-stage application process, requiring applicants to submit full project documentation by a given deadline should in our view be preferred over a two-stage process consisting of an expression of interest followed by the screening of pre-selected applications for the sake of fairness and transparency of applications and an overall effective operational structure.
- **Regarding the relation of the ETS Innovation Fund to other funding instruments**, we believe that the Innovation Fund should complement other funding mechanisms, and in particular the EU Framework programme for research and innovation (Horizon 2020/FP9), the European Structural and Investment Funds (ERDF) and the European Strategic Fund for Investment (EFSI).

In particular, we see financing gaps beyond innovative generation assets from a whole energy system view, notably in the areas of energy efficiency, demand side management, digitised distribution grid, and low voltage management, which the Innovation Fund should address.

Considering the pending post 2020 Multi-Annual Financial Framework, we refer to [Orgalime's response to the public consultation on strategic public infrastructure](#) and [Orgalime's position](#) and response to the Commission MFF consultation on investment, research & innovation, SMEs and single market.

Orgalime remains available for further information and looks forward to the Commission's delegated act to implement the new funding of low-carbon innovation and energy sector modernisation following the revised post-2020 EU ETS Directive.

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