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CROSS-BORDER RENEWABLE ENERGY (CB RES) PROJECTS - APPLICATION FOR THE CB RES STATUS

Fourth call for proposals – September 2024

Based on Part IV of the Annex to Regulation (EU) 2021/1153 of the European Parliament and of the Council of 7 July 2021 establishing the Connecting Europe Facility and the Commission Delegated Regulation (EU) 2022/342 of 21 December 2021 supplementing Regulation (EU) 2021/1153 of the European Parliament and of the Council with regard to the specific selection criteria and the details of the process for selecting cross-border projects in the field of renewable energy

FREQUENTLY ASKED QUESTIONS

Version of 11 December 2024

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1.3	11.12.2024	Updated version after call Q&A session:
		- New questions: 26 to 32; 46 to 49; 68 to 70; 95 and 110
		- Updated questions: 39

Note:

any mention of "**RED II**" in this document refers <u>to Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources</u>

any mention of "CEF Regulation" in this document refers to <u>Regulation (EU) 2021/1153</u> - <u>formally adopted by the European Union (EU) on 7 July 2021 - establishing the legal basis</u> for the Connecting Europe Facility (CEF) for the period 2021-2027. This is a text with EEA <u>relevance</u>.

Any mention of the "**Delegated Regulation**" in this document refers to <u>Commission Delegated</u>
<u>Regulation (EU) 2022/342 of 21 December 2021 supplementing Regulation (EU) 2021/1153</u>
of the European Parliament and of the Council with regard to the specific selection criteria



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and the details of the process for selecting cross-border projects in the field of renewable energy

"CB RES project" stands for a "cross-border project in the field of renewable energy.

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GENERAL

1. What is a cross-border project in the field of the renewable energy?

CB RES projects promote cross-border cooperation in the field of planning, development and cost-effective exploitation of renewable energy sources (RES). This cooperation may be between EU Member States but also between Member States and non-EU countries. In addition, CB RES projects may facilitate RES integration through the deployment of infrastructure ancillary to RES generation e.g., energy storage facilities with the aim of contributing to the EU's long-term decarbonisation strategy.

According to Article 2 (k) of CEF Regulation, a cross-border project in the field of renewable energy (CB RES project) means a project selected or eligible to be selected under a cooperation agreement mechanism as defined in RED II. The cooperation agreement may be between two or more EU Member States or between one or more Member States and one or more third countries as set out in Articles 8, 9, 11 and 13 of RED II. The planning or deployment of renewable energy must be in accordance with the criteria set out in Part IV of the Annex to the CEF Regulation. Effectively, this means a project which complies with the general criteria of point 2 of Part IV of the Annex to the CEF Regulation and has received the status of a CB RES project pursuant to the procedure in Part IV of the Annex to the CEF Regulation and the Delegated Regulation.

2. What are the technologies, components and investments eligible as part of the CB RES project?

CB RES projects shall be based on any of the renewable energy sources listed in the RED II, with a renewables generation facility as an integral and main part of the project. Projects can relate to electricity, heating and cooling and transport sectors. Project can have a broader scope where the renewable energy production is combined with another component e.g. renewable hydrogen production. Projects that combine different renewable technologies, that contain a storage component (both on and offsite), and/or that integrate the renewable generation site into the grid/heating system are also eligible for the CB RES status. In any case, the main part of the project should be renewable energy generation. A full list of eligible technologies, components and investments as part of the CB RES projects is provided under Article 3 of the Delegated Regulation.

3. Who can apply for the CB RES status? Who can be the CB RES project promoter?



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Promoter(s) of a project, including Member State(s), can apply for their project to obtain the CB RES status (Point 4, Part IV Annex to <u>CEF Regulation</u>). A project promoter shall be a legal entity that develops the cross-border renewable energy project proposed for the CB RES status (Art. 2 of the <u>Delegated Regulation</u>).

4. What are the CB RES status and CB RES list?

Based on the <u>CEF Regulation</u>, promoters of a project, including Member States, can apply for their project to have the status of cross-border projects in the field of renewable energy ('CB RES status') and therefore be included in the list of projects ('the CB RES list'). The CB RES list will include all projects having received a CB RES status by Commission decision.

Obtaining the CB RES status is a precondition to apply for CEF funding for technical studies and works in support of CB RES projects. A promoter may decide to apply for the CB RES status for their project, but not apply for CEF financial support at a later stage. Being included in the CB RES list (having a CB RES status) may give the project other advantages than CEF funding eligibility, such as higher visibility, increased investor certainty and stronger support from Member States.

5. What are the off-taking (contributing) and host countries?

According to the article 2 of the Delegated Regulation An 'off-taking Member State' (often referred to as a "contributing Member State") means a Member State that makes a financial contribution to the renewable energy generation investment located in another Member State. A 'host Member State' means a Member State where the renewables generation facility will be physically located.

6. What is the procedure for selecting a CB RES project?

Annex Part IV to Regulation (EU) 2021/1153 establishes the main steps of the procedure for selecting a project to be included in the CB RES list. The selection procedure will entail: (a) a first evaluation by the Commission of the applications for a cross-border project in the field of renewable energy against the general criteria; (b) the establishment by the Commission of a group for CB RES projects with the competence to adopt a draft list and monitor the implementation of the projects in the list in view of maintaining their status; (c) agreement by the group on the draft list; and (d) adoption of the final list by the Commission and review of the list every 2 years. The group shall be composed of one representative of each EU Member State and one of the Commission.



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The Commission allows project promoters to apply for the CB RES status at least once a year. The selection process usually takes about 8 to 10 months from the opening of the call to the entry into force of the final list. The draft list of CB RES projects is usually adopted about 6 months after the closure of the call.

7. What are the benefits of being in the CB RES list/having the CB RES status?

A project that has obtained the CB RES status is included in the CB RES list adopted by the Commission. With this, the project may gain a pan-European visibility thanks to publicity and communication activities (Art. 11 of the <u>Delegated Regulation</u>), increased investor certainty and stronger support from Member States. The CB RES projects are eligible for funding under the Connecting Europe Facility (CEF). The new window (15% of the CEF energy budget, ca. EUR 875 million, subject to market uptake and increase up to 20% if the 15% threshold is reached) under the <u>CEF Regulation</u> responds to the 'Clean energy for all Europeans' package and its focus is on regional and cross-border cooperation to deploy renewable energy in Europe. Finally, the CB RES status and the legal framework it builds on can also support the finalisation of the cooperation agreement between Member States or between one or more Member States and third countries.

8. What are the types of cooperation mechanisms that a CB RES project should underpin?

Cross-border projects in the field of renewable energy shall be included in a cooperation agreement or in any other kind of arrangement between two or more Member States or arrangements between one or more Member States and one or more third countries as set out in Articles 8, 9, 11 and 13 of RED II:

Article 8: Statistical transfers between Member States:

Article 9: Joint projects between Member States;

Article 11: Joint projects between Member States and third countries;

Article 13: Joint support schemes.

9. What is a difference between the PCI list and the CB RES list and is there any connection between the two?



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There is no overlapping between the PCI and the CB RES lists.

The legal basis of Projects of Common Interest ('PCIs'), is the new TEN-E regulation.¹ PCIs are required to implement the eleven priority corridors covering different geographic regions in the field of electricity, offshore grid and hydrogen infrastructure and the three Union-wide energy infrastructure thematic areas for smart electricity grids, smart gas grids and cross-border carbon dioxide networks. The latest PCI list in force was adopted in 2022². Obtaining the PCI status is a precondition to apply for CEF Calls for proposals for studies and works dedicated to TEN-E.

The legal basis of the CB RES projects lies also in the CEF Regulation. Yet, the aim of CB RES project is promoting cross-border cooperation between Member States to accelerate the deployment of new capacity of renewable energy sources, and thus contributing to decarbonisation efforts, completing the internal energy market, enhancing security of supply and innovation, and facilitating RES integration through energy storage or conversion facilities. There will be only one CB RES list updated at least once a year. The latest list of CB RES projects was adopted in August 2022³. Obtaining the CB RES status is a precondition to apply for CEF calls for proposals for studies and works established by the CB RES Delegated Regulation.

10. Can a project be submitted for CB RES and apply for funding of studies and then transferred automatically to PCI projects for implementing for works?

No. The scope of CB RES is renewable energy generation, and there could be additional eligible technologies, components and elements (such as storage, grid connection) in line with Art. 3 of the Delegated Act (EU) 2022/342). The TEN E Regulation 2022/869 establishes the eligible infrastructure categories for PCI status, which do not have the scope of RES generation and are distinct from the CB RES ones. The PCI list and the CB RES status list are

¹ Regulation (EU) 2022/869 of the European Parliament and of the Council of 30 May 2022 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013

²https://energy.ec.europa.eu/topics/infrastructure/trans-european-networks-energy_en

³Commission Delegated Regulation (EU) 2022/2202 of 29 August 2022 supplementing Regulation (EU) 2021/1153 of the European Parliament and of the Council by establishing a list of selected cross-border projects in the field of renewable energy (Text with EEA relevance)



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2 distinct lists and no transfer from one list to the other is automatically possible, as the 2 selection processes are distinct from two different legal basis.

11. Is there a link between CB RES and the ENTSOs Ten-Year Network Development Plans?

No, the CB RES projects are not part of or linked in any other formal manner to the Ten-Year Network Development Plans developed by ENTSO-E or ENTSO-G.

12. What are the generation technologies defined in article 3 of the Delegated Act?

The generation technologies are technologies producing energy from any of the renewable energy technologies defined in REDII, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas. Ambient energy, as defined in REDII, means naturally occurring thermal energy and energy accumulated in the environment with constrained boundaries, which can be stored in the ambient air (excluding in exhaust air), or in surface or sewage water.

13. What do the total project costs mean in the context of the application for CB RES status?

The total project costs should include all of the expected costs (OPEX and CAPEX) of the proposed CB RES project, regardless of what may be eligible for future potential CEF funding.

14. Is there a limit to the number of projects that will be accepted in the CB RES list?

No, there is no limit regarding the number of projects to be included in the CB RES list.

15. Can there be more than one project from one MS?

Yes, there is no limit regarding the number of CB RES projects originating from one Member State.

16. Is there a time limit for a project in the CB RES list to apply for CEF funding?

No, since the CB RES status does not have an expiration date. The promoters of the projects in the CB RES list may apply for CEF funding for studies/works whenever they choose, provided that a relevant call for proposals is open.



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17. At which stage of maturity should the project be, when submitted for status?

There is no specific provision in the status call text. However, an applicant should provide a sufficiently detailed description of the technical aspects of the project, have all data necessary to calculate the CBA and have at least the willingness to cooperate from the participating countries expressed in a declaration.

18. Are projects that build upon existing ones, providing that additional energy generation takes place, eligible for the status?

Yes, projects that build upon existing ones are eligible, provided that they clearly add new RES capacity via the project.

In this case, promoter should pay particular attention to the exact scope of the CB RES project, compared to the existing one.

19. What does it mean in the Commission Staff Working document 2021/429 that the project should provide a high-level description of the market structure?

The applicant needs to provide a general description on what the potential of the given country is, the market trend in terms of price of electricity, dependence to fossils and RES, etc. These elements help the evaluators understand the market context in which the project will take place.

20. What types of information is requested in annex 4 (sustainability and DNSH)?

Project need to provide with the information available at the moment of the submission. Project need to identify what are the most problematic aspects in terms of sustainability and GHG savings (for biofuels, biomass and bioliquids projects) and its alignment with the general principle of do not significant harm (for all projects).

Regarding the DNSH principle as defined in art 17 of the taxonomy regulation, at the stage of the status applications, promoters are invited to self-evaluate the potential impact of the envisaged project and, if negative, what can be the mitigating measure that could be taken.

21. Is a CB RES status attributed to a specific project or to a specific category of projects?

The CB RES status (an entry to the CB RES list) is attributed on a project-by-project basis, building on each project's specific application and selection procedure.



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22. How do the CB RES projects support the European Green Deal?

The European Green Deal aims to decarbonise the EU's energy system and focuses on three principles for the clean energy transition: 1) ensuring a secure and affordable EU energy supply, 2) developing fully integrated, interconnected and digitalised market, and 3) prioritising energy efficiency and developing a power sector based largely on renewable sources. CB RES projects help deliver on these aims and principles, as they can enable cost-effective deployment of renewables in the EU, including the strategic uptake of innovative renewables technologies. They can also contribute to decarbonisation efforts, strengthening of the internal energy market, and enhancing of the security of supply.

23. Will projects, part of which must be implemented in Natura 2000 territory be eligible to receive CB RES status and possible funding from CEF-Energy calls?

Each project that receives EU funding must be compliant with the EU law and applicable national law.

There is not specific provision stemming from the programme rules regarding Natura 2000 areas.

24. Is a project of renewable energy generation associated to green hydrogen and liquid organic hydrogen carrier production in a EU MS, and entailing an element of transport and reconversion to green hydrogen in other EU MS eligible for CB RES Status?

Yes, next to RES generation, a project can contain elements linked to the production of green hydrogen. However, infrastructure related to transport, reception, storage and regasification for liquified or embedded green hydrogen is not eligible for CB RES status. But it can be included in the application since it would explain the whole value chain, while not being part of the CBA calculations (project or counterfactual).

25. Is a project of renewable energy generation located in a third country where the only link to an EU MS is the element of transport and reconversion to green hydrogen eligible for CB RES status?

No. Conversion to hydrogen can only be an ancillary component and, for projects between a MS and a third country, a physical link needs to be established that ensure an infeed of the electricity produced by the project into the EU electricity system.



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26. Can utility companies be promoter of a CB RES project?

Yes, there is not specific restriction to utility companies. Any public or private organisation having a legal personality can be a CB RES promoter.

27. Are there any requirements regarding the size of the consortium? Can only two members be involved, or is a larger membership expected?

No, there are no specific requirements on the size of the consortium. Applicants must decide what is the best composition of the consortium, based on the project's concept.

28. Can a project involving a renewable energy source (RES) generation and an electrolysis plant for the production of green hydrogen in the hosting Member State and the transfer and off-take of the said hydrogen by a contribution Member State be eligible? Are the requirements for physical link/infrastructure for joint projects between member states?

The example described can be a potential CB RES project. Please note that for the related to Hydrogen (H2) components, specific conditions can be found in the CB RES fourth status call page. Furthermore, among the approved CB RES projects, there are already examples of H2 projects, please see the CB RES Transparency Platform for more information.

There are no specific requirements in terms of infrastructure for joint projects between Member States. The specific set up of the project must be decided in accordance with the project concept. If the concept is to export H2 produced from RES electricity to an off-taker in another Member States, it should be clear how this would happen, whether via the existing infrastructure or new infrastructures. Please note that since the core component of a CB RES project is the renewable energy generation, the H2 exported must therefore be produced from RES electricity.

29. In case of a company that is a contracting authority / entity under public procurement rules, how can the company apply for CB RES status in a consortium with other organisations, given that the former cannot pre-select procurement partners?

In the context of a status call, projects have the opportunity to qualify and enter the CB-RES list. Being in the CB RES list, does not guarantee any CEF grant, but only the possibility to apply for CEF grants for works and studies. Therefore, public procurement considerations are not relevant at CB RES status phase.



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Once on the CB-RES list, the relevant provisions on public procurement shall apply.

It is noteworthy that the entity applying for status does not have to be the same applying for works/studies. Therefore, promoters of the application for status can but do not have to apply to be beneficiaries of CEF grants. In the CEF application, the applicant has to demonstrate how it contributes to the implementation of the CB RES status.

30. In cases of projects that are both CB RES (for the RES generation) and PCI (for their infrastructure, such as the interconnector): could the CB RES part apply for CEF CB RES studies or works before the start of the works of the complementary PCI project?

If a project is both in the CB RES list (for its RES generation part) and PCI list (for its network infrastructure part), the two parts can apply to their respective CEF funding calls whenever they consider they are mature enough. There is no requirement that the complementary project has started or has been built, however the respective timelines shall be coherent one another.

31. In case of CB RES project based on the cooperation between two towns from two Member States, is there are minimum distance in km between the two towns?

There is no requirement in terms of distance. What is important is that the business case of the project makes sense and that the applicants explain why the project needs the cross-border cooperation in order to reach its objective.

32. How can the the perimeter of the CB RES project be defined?

The perimeter or the scope of a project includes all elements that the promoter selects to be part of the CB RES application, creating a unique coherent concept of the project. It is up to the applicant to define what is the scope of the project. The perimeter can be everything eligible under CB RES which constitute a unique coherent project.

2. COOPERATION MECHANISMS

33. What is the required proof of the cooperation arrangements between the involved countries?

In line with article 4 of the <u>Delegated Regulation</u>, a written declaration expressing willingness to support the project through a cooperation agreement, validated by a responsible institution in the participating Member States and, where relevant, non-EU countries, needs to be submitted with the application. There are no specific requirements regarding the format of the



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written declaration, but it needs to show the relevant countries' support to that specific project. The written declaration shall be included in the application for the CB RES status as an annex.

Apart from that, the application for the CB RES status needs to describe the scope, legal embedding, and maturity of the involved cooperation mechanism. The cooperation mechanism can take any of the forms of cooperation agreement provided for in Articles 8, 9, 11 and 13 of RED II and can be set up between two or more Member States, or between one or more Member States and one or more non-EU countries. For details of how the underpinning cooperation mechanism will be assessed by the European Commission, please see point 3 of the Commission Staff Working Document (SWD/2021/0429 final) accompanying the Delegated Regulation. What should be the format of the written declaration and who should sign it?

The declaration can be one single document co-signed by the participating countries (being Member States and/or Third Countries) or several declarations (e.g. one per country) referring each to the willingness to cooperate with countries X, Y on the given project "Z". The declaration can also be in electronic format (e.g. e-signature). The participating countries are also encouraged to use Annex 3 available for download in the call page.

The written declaration should be signed by the competent official who has the authority to express the formal position of the competent authority regarding the matters expressed in the written declaration. The title of such an official may vary from country to country and from ministry to ministry.

34. How can I get a proof of cooperation from the relevant countries?

The applicants may get in touch with the competent national authorities to ask about the ongoing or potential cooperation initiatives relevant to the future project. They can ask for a written declaration of the participating Member States and, where relevant, third countries, expressing their willingness to conclude a cooperation agreement in order to set up the renewable energy cross-border project.

The written declaration does not require a specific format but shall be signed by the Ministries of the participating Member States, or relevant executive State authorities in charge of implementing the cooperation agreement, including transit countries, where relevant and where the agreement requires the use of their infrastructure.

A cooperation agreement or any other kind of arrangement between two or more Member States or arrangements between one or more Member States and one or more third countries



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should be based on the cooperation mechanisms as set out in Articles 8, 9, 11 and 13 of the RED II.

35. Does the initial written declaration have to be signed by the competent authorities at national level or at a regional level?

In line with the Article 4 of the <u>Delegated Regulation</u> the written declaration shall be signed by the ministries of the participating Member States in charge of implementing the cooperation agreement.

If the competent authority for implementing the cooperation agreement is at a regional level, the written declaration can be signed by the regional level, but the applicant should attach an additional document from the central authority of that country, confirming that the given regional level is competent to support/implement the project. Such a document issued by a central authority does not require any specific format, however an indicative example of the content of such confirmation could be: "[Authority X] is competent to enter the [cooperation agreement/arrangement] with [Country/Region] referred as/concerning [subject matter or any other description that makes the arrangement/project clearly identifiable]".

If such document is not available, the applicant shall provide another type of official evidence of the regional competence to conclude and implement the cooperation agreement as defined in the <u>REDII</u>. The evidence needs to provide an unambiguous proof of the regional competence in both: the substance (renewable energy development and ancillary elements, if applicable) and form of the cooperation (international agreement in the field of RES). Moreover, the written declaration signed by the region should include an explicit confirmation that the signing regional authority is indeed competent to conclude and implement the cooperation agreement. The content of such a confirmation can be similar to the one for the central authorities if applicable, as above.

36. How can entities established in third countries provide evidence of the agreement with an EU Member State?

In line with article 4 of the <u>Delegated Regulation</u>, a written declaration expressing willingness to support the project through a cooperation agreement, validated by a responsible institution in all participating Member States and, where relevant, non-EU countries, should be presented with the application. There are no specific restrictions on the format of the declaration. For details of how the underpinning cooperation mechanism will be assessed by the European Commission, please see point 3 of <u>the Commission Staff Working Document (SWD/2021/0429 final)</u> accompanying the <u>Delegated Regulation</u>.



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37. Can a project be selected for the CB RES status, if the cooperation mechanism that underpins it is a stand-alone statistical transfer (Article 8 of Directive (EU) 2018/2001) and there is no additional investment attached to it?

Yes, projects proposing a stand-alone statistical transfer of the renewables production from an existing production are eligible for the CB RES status, provided that all other selection criteria set out in the CEF Regulation and the Delegated Regulation are satisfied.

38. Does a CB RES project between two Member States require a physical link between the cooperating countries?

There are no requirements for a physical link between two or more Member States; a virtual power purchase agreement can also be set up as part of the cooperation agreement, as well as the development of a RES carrier value chain such as hydrogen or ammonia for instance. Joint projects between EU Member States (RED II art. 9) can but do not have necessarily to involve a physical transfer of energy from one country to another. In case of joint support schemes (RED II art. 13), these can finance single or multiple projects, with or without a physical link. Statistical transfers (RED II art. 8) are based on an accounting procedure, as no actual energy changes hands and no physical link is required.

39. Does a CB RES project between a Member State and third country require a physical link between the cooperating countries? Would a pipeline fulfil such requirement?

A physical link is required for joint projects between Member States and third countries (<u>RED</u> <u>II</u> art. 11). Such projects can only relate to the electricity sector, and a physical link needs to be established with that third country and interconnector capacity needs to be actually booked to ensure an infeed of electricity into the EU electricity system.

In case such a link is not yet in place at the time of the CB RES application, it must be established in line with the timeline detailed in art 11 (3) of the RED II.

Finally, a pipeline is a gas transmission line, so it does not guarantee that the electricity is consumed in the EU.

40. Where can we find the list of the national contact points?

The list of the central government officials that act as the CB RES contact points is available in the <u>programme webpage</u>. They may be contacted in relation to e.g. a written declaration required under the CB RES status call.



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41. Are there any criteria for Ministries on how they make their selection of possible candidate projects which will apply for letters of support?

The competent authorities are free to decide about their support to CB RES projects. There is no EU level criteria or guidance.

42. What kind of information has to be included in the written declaration/memorandum of understanding?

While there is no specific format required for the written declaration, it should express willingness to support the project through a cooperation agreement, validated by a responsible institution in all participating Member States and, where relevant, non-EU countries. The Commission Staff Working Document (SWD/2021/0429 final) (under its section 3, page 8) lists a series of elements that a written declaration should include. Those elements should be reflected as much as possible directly in the Memorandum of Understanding (or a similar form of written declaration) or, where this is not possible, reported in the Application Form and its annexes.

43. Does 'willingness to cooperate' mean that the cooperation format could be identified after the CB RES status award decision? What happens if expression of willingness to cooperate is amended or even cancelled by the relevant Member States?

In the written declaration, the applicants shall identify the applicable cooperation mechanism between the Member States. Cancelling of the endorsement by one or all of the participating countries may lead to a withdrawal of the project from the CB RES list (please see art. 9 of the Delegated Regulation). Indeed, in that case, The CB RES project is reassessed in light of the latest development. The European Commission and the CB RES MS Group will take a decision whether the project can stay in the CB RES list or should be withdrawn.

In case the project has in the meantime received a grant for CEF studies or works, there is no automatic termination of the grant. The new project set up is reassessed by the granting authority.

44. What if the project does not manage to get the written declaration signed by all the participating countries?

In case the project is based on a cooperation between three or more countries, for the sake of the eligibility of the CB RES project, the project should provide the signed declaration from at



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least two of the participating countries, showing therefore that the project is based on a cross-border cooperation.

45. In the case of joint projects between Member States under RED II, is proof of the cooperation arrangements during the CB RES application a way of fulfilling the notification obligation under Article 9 of RED II?

No. Article 9 does not provide a specific procedure, but Member States are obliged to notify the Commission of cooperation agreements by the deadline specified in the Directive. This can be done for example via the NECP (National Energy and Climate Plan) progress reports.

46. In a joint project between Member States, can one Member State only host while the other contributes with expertise and gains new knowledge? Or must both countries benefit directly from the energy produced, via statistical or cross-border transfers?

Joint projects between Member States are one of form of cooperation mechanism offered by the RED II. As such, those cooperation mechanisms are there to achieve renewable energy targets in a more cost-effective way.

Therefore, the main scope of setting up such cooperation mechanisms is to produce new RES generation installations. Contributing Member States should have an advantage in being part of the project, such as receiving energy (in the case of a physical link) or benefiting from statistical transfer. Gaining new knowledge and expertise as a spinoff of joint project between Member State can be one of the positive side effects of the cooperation. A project which only aims to contribute or gain new knowledge or expertise does not comply with the CB RES programme objectives.

47. Can cooperation occur between companies that belong to the same group but are registered in different Member States?

This is indeed allowed. Please note that there is no need to have two promoters for the two Member States involved. There can also be only one promoter in the hosting Member States, such as in the case of projects that do physically cross the border. However, for projects having physical cross border elements, it is common to have one promoter per Member States involved and it is possible for them to be part of the same group.

48. In case of cooperation agreements between Member States and third countries (art. 11 of RED II): must the physical link (electricity interconnector) exist at the time of the CB RES status application or can it be planned in time to transmit electricity from the CB RES project at commissioning?



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Article 11(2) of RED II sets the requirements that must be met so that a Member State can count for its target the renewable electricity produced in a third country. It implicitly requires the existence of an interconnection and recital 60 of the CEF Regulation clarifies that too. Article 11(3) establishes an exception in case the interconnector takes long to be built. Such CB RES project must comply with the conditions set in Article 11(3) of RED II when it starts operating.

49. In case of cooperation between Member States and third countries, how does the 'electricity consumed in the Union' criteria specified in Art 11(2) of the RED II requesting TSOs to allocate interconnection capacity apply if a project is connected to a merchant transmission line to the EU?

The merchant nature of the interconnection operator does not alter the requirements in article 11(2) to demonstrate that the responsible transmission system operators in the countries of origin, destination and, if relevant, transit, have nominated the relevant amount of electricity to the allocated interconnection capacity.

3. COST BENEFIT ANALYSIS

50. Is a cost-benefit analysis (CBA) mandatory to be selected for the CB RES status?

Yes. Applications need to include a CBA based on the mandatory CBA template made available to the applicants under this call.

Point 2 c) of Part IV of the ANNEX to the <u>CEF Regulation</u> stipulates that, in order to be included in the CB RES list, projects must demonstrate that the potential overall benefits must outweigh the costs, as assessed on the basis of a cost benefit analysis per point 3 and in line with the methodology referred in Article 7 of the CEF Regulation.

51. Who chooses the counterfactual project?

The applicants while preparing their application including the CBA choose and describe the relevant counterfactual in line with the guidance provided in <u>the Commission Staff Working Document (SWD/2021/0429 final).</u>

52. How to conduct the CBA?

A detailed guidance on how to conduct the CBA is provided in the Commission Staff Working Document (SWD/2021/0429 final).

53. What if no accurate data for a counterfactual is available?



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The applicants should use the best available project specific data in their presentation of a standard counterfactual. The data presented should be robust and come from credible sources. Project promoters can deviate from the standard counterfactual only in the specific case when the standard counterfactual does not make sense or is not relevant. One example of such case could in principle be lack of data.

The choice of a case-specific counterfactual should be duly justified. For more information about the counterfactual and choice of data, please see the Commission Staff Working Document (SWD/2021/0429 final).

54. How should the counterfactual be defined in the cases where the CB RES project takes place physically in more than one country (e.g. in hybrid offshore projects)?

In case of projects physically taking place in more than one country (e.g. hybrid offshore wind projects), the choice of the counterfactual cannot be purely based on the contribution country.

Applicants are free to determine what the reasonable counterfactual should be in their specific case. There is no standard approach to advise as it is very much depending on the specificity of the project and the participating countries.

In the cases of hybrid offshore wind projects, for example, a counterfactual could be two wind parks, one located in country A and the other in country B, which in total would have the same capacity of the CB RES project, but which would lead to different conclusions in the CBA calculation.

55. Can the counterfactual refer to the current situation in which there is no project development at all?

According to the Commission Staff Working Document (SWD/2021/0429 final), there are two types of counterfactual. The first one - standardized, where the CB RES project is compared to a similar project, implemented by one country alone. The second one – case specific, where the CB RES project is compared to a different project, implemented by one country alone. As a standard rule, the applicant should choose the standardized counterfactual. If this is not possible (in duly justified cases), the applicant can choose the case specific counterfactual. In that second option, in a specific case explained below, the counterfactual may be a case where the project does not happen at all. In that case, the net present value (NPV) will be based on the values of each indicator that correspond to the current state of play and the outlook based on a baseline scenario. The option of counterfactual where the project does not happen at all is limited to situations where the CB RES project is set up by a cooperation mechanism in the form of joint support scheme pursuant to Article 13 of REDII.



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In other cases, where the project is set up by a cooperation mechanism in the form of a joint project or a statistical transfer, the choice of a counterfactual where the project does not happen at all cannot be justified.

56. Does the social discount rate need to be equal to the financial discount rate that appears in the LCOE formula?

The financial discount rate does not have to be equal to the social discount rate. The discounting which includes the social discount rate is done by the Excel tool automatically at a later step. For the LCOE, please use the financial discount rate that you use for your business case.

57. In the CBA Excel tool, in the tab 'in data', costs and benefits should be provided for a number of base years. For the LCOE, does this mean that the value in €/MWh (calculated over the lifetime) should be multiplied by the production in MWh in a given year?

Yes, the LCOE value in €/MWh calculated over the lifetime of the project or counterfactual according to the formula provided in page number 14 of the Commission Staff Working Document (SWD/2021/0429 final), shall be multiplied_by the expected energy production in MWh in the given base year.

58. In the Excel tool for CBA calculations, what time period should GHG emissions data cover?

Regarding the GHG emissions, applicants calculate the avoided GHG emissions in each of the three base years. Then, they multiply each result by the carbon price for the relevant year. The sum of all years (interpolated and discounted) will be produced by the Excel tool.

GHG emissions should be calculated as CO₂ equivalent using international emission factors standards.

59. Is there any specific CBA requirement for offshore projects with radial connection?

No, there are no specific CBA requirements for offshore projects with radial connection. Each project's CBA should follow the guidance set out in <u>the Commission Staff Working</u> Document (SWD/2021/0429 final).

60. How should system integration and air pollution be taken into account in the CBA of district heating projects?



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System integration costs in cases of district heating are predominantly related to the network development and/or expansion costs needed for the integration of renewable energy sources, but not directly part of renewable energy generation costs. In the case of non-intermittent renewable energy sources such as biomass, system integration costs are therefore usually limited to the grid-related costs, if any. Some district heating projects may incur balancing or/and profile costs involved in the operation of the district heating network e.g. stemming from the need for dispatchable heat generation such as an electric boiler, in which case they should also be taken into account as system integration costs. For further details, please see p.14-15 of the Commission Staff Working Document (SWD/2021/0429 final).

Regarding air pollution, as explained on p.19 of the Commission Staff Working Document, the renewable energy production over the project's lifetime is multiplied by the difference between the system's average emission factor and the project/counterfactual respective emission factors. The result is the increase/reduction of air pollutant emissions attributed to the CB RES project. This applies not only to electricity production. In the case of a district heating system, the CB RES project's emission factor is compared to the average emission factor of the heating system in the relevant locations.

61. Do primary energy costs have to be considered in the LCOE model?

The formula for the LCOE includes the operation and maintenance costs for each year. The costs of primary energy (fuel costs) needed for the operation of your network would fall in principle under operational costs.

62. How to calculate security of supply in case of projects hosted by two Member States based on a counterfactual consisting of RES developments in the same two Member States?

The choice of the counterfactual is the remit of the applicants. The security of supply element should be understood as diversification of energy sources and supply from third countries (non-EU countries). The purpose of such diversification may be to reduce energy import dependency. In this context, energy consumption in EU Member States is considered as fully domestic. Moreover, if the cross-border project is physically located in the territory of two host countries, the impact on security of supply should refer to both countries. The same impact shall be measured for the counterfactual, whereby the counterfactual is constant throughout the CBA.

Regarding the reference data for both CB RES project and counterfactual, the guidance (SWD/2021/0429 final) states: "the data on primary energy imports can be derived from the national energy and climate plans or from alternative reliable source as the national energy balances or the annual <u>'EU energy in figures statistical pocketbook'</u>. The energy prices should be based on the latest historic national annual average import prices for each energy source."



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63. How to calculate GHG emissions in cases of a CB RES project developed by more than one contributing country?

The CBA should capture the difference in GHG emissions between the cooperation project and the counterfactual (without cooperation). This element may have the same value for the cooperation project and the counterfactual. The formula for this calculation depends on the counterfactual, which is chosen by applicants.

64. Should revenues generated by the project be included in the CBA? How are the cash flows captured in the CBA?

Revenues are not to be included in any of the CBA elements. Moreover, for the calculation of the NPV, the applicant only needs to calculate the value of the elements for the base years, while the tool takes care of the interpolation between these base years and the discounting (with the social discount rate). The "cash flows" mentioned in the SWD/2021/0429 final are represented by the CBA elements, which capture the costs and benefits from a societal perspective.

65. What happens when 1 MS cannot do it alone, i.e., there is no 'next realistic alternative' for this project?

The rationale of a counterfactual is to compare the CB RES project with similar projects that could be carried out without cooperation. Even if the standardized counterfactual does not have to be fully identical to the CB RES project – e.g., the size should be still comparable or the RES technology mix slightly different.

In any case, applicants need to clearly detail their reasoning and justify the choice of the chosen counterfactual.

66. Should we include non-eligible items such as land or maintenance CAPEX in the Cost of Energy Generation line of the CBA?

Applicants should use all the elements that are to be factored in the calculation of the cost of energy as per formula specified in the Commission Staff working document. Land is normally not part of it and maintenance is part of the OPEX, not CAPEX.

67. Is the NPV subject to state aid logic (does it need to be negative)? Does it need to be calculated based on the difference between the factual and the counterfactual scenarios?



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No, the NPV is of an economic nature, not a financial one, therefore it should be positive. Furthermore, it does not need to take into account the difference between factual and counterfactual scenarios.

68. Is it possible to receive a mock filled in CBA in order to use it as a model/case study?

The CBA tool already include a control tab with alert messages in case of incomplete or incoherent data. It is not possible to receive a full mock CBA because each project is very specific and is based on specific assumptions which are the choice of the applicant.

69. Concerning a CEF CB RES application based on article 8 (statistical transfer) of the RED, how should the counterfactual be presented and over which time horizon?

Art. 8 is to be used only in case no specific project will be built. If the cooperation aims to build a new RES generation project, it can by default only qualify as joint project and not as statistical transfer. Statistical transfers require a cooperation with another Member State to agree on a certain quota of statistics to be transferred to the contributing Member State by means of transaction and based on already produced electricity (it is a purely accounting procedure). In such case, there is no physical project involved, therefore no documentation such as the CBA has to be produced. There is no need to apply for CB-RES status with the pure aim of setting up a statistical transfer agreement.

In case of a joint project between Member States, the cooperation agreement may foresee a statistical transfer of a given percentage of the electricity produced by the CB RES project.

70. For the CBA calculation of benefits (such as emissions impact), should project account only the benefits in the receiving country or also in the surrounding EU countries?

The only countries which are relevant for the CBA calculation are hosting and contributing countries.

4. OTHER SELECTION CRITERIA

71. Is it necessary to apply for CB RES status before the application for CEF support to technical studies or works for cross-border renewable energy projects?

Yes. To apply for any CEF technical studies and works call, the precondition is to be included in the list of selected cross-border projects in the field of renewable energy (CB RES list).



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72. If a project wants to be included in the CB RES list, does it have to be funded in a preparatory study call?

No. Participation to the preparatory studies call in the meaning of Article 7(3) of <u>CEF</u> <u>Regulation</u> is not a pre-condition to apply or to be eligible for CB RES status.

73. Can the CB RES status be attributed to projects that are already underway?

Yes. The CB RES status applies to both ongoing and future projects, as long as the application demonstrates the project's compliance with the conditions laid out in the <u>CEF Regulation</u> and the <u>Delegated Regulation</u> related among others to the cost benefit analysis and cross-border cooperation.

74. What could be considered as operating aid or investment aid referred to in Article 5(b) of the RFNBO delegated act?

Operating aid or investment aid referred to in Article 5(b) could be considered to include any payments received from public authorities for the construction of the installations generating renewable electricity and any benefits received from public authorities for the production of renewable electricity, including feed-in tariffs, feed-in premiums, reductions applying for the production, contracts for difference or any direct payments linked to the production of renewable electricity. Operating aid or investment aid does not include obligations or restrictions placed on energy consumers, producers or suppliers such as renewable energy obligations. Article 5(b) also sets out that support received by installations before their repowering, financial support for land or for grid connections, support that does not constitute net support and incentives provided via the renewables PPA are not considered. Whether e.g., a contract for difference constitutes net support should be assessed ex-ante and verified expost. For the ex-ante assessment, fuel producers should demonstrate based on the terms of the contract for difference that the contract is unlikely to result in net support for the contracted installation generating renewable electricity. In the ex-post verification, fuel producers should demonstrate that the contracted installations generating renewable electricity did not receive net support.



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75. Is there a defined commissioning timeline for a CB RES project?

No, there is no legal requirement regarding the expected commissioning timeline. However, all projects included in the list of the CB RES projects should be implementation swiftly and their project implementation should be realistic and foreseeable.

76. If an entity from a third country is a project promoter, can this project be selected for the CB RES status?

In principle yes, as long as the application demonstrates the project compliance with the conditions laid out in the <u>CEF Regulation</u> and the <u>Delegated Regulation</u> related among others to the cost benefit analysis and cross-border cooperation.

77. Can a project by a private promoter investing in several EU Member States with the agreement of the Member States involved, be selected for the CB RES status?

In principle yes, as long as the application demonstrates the project compliance with the conditions laid out in the <u>CEF Regulation</u> and the <u>Delegated Regulation</u> related among others to the cost benefit analysis and cross-border cooperation.

78. To be selected for the CB RES status, is it mandatory to have a partnership with a local company in the countries involved?

No, there is no requirement regarding the origin of the project promoter and the partnerships.

79. Is there a minimum number of project promoters required to be selected for the CB RES status?

There is no minimum nor maximum number of project promoters required.

80. Is there a minimum generation capacity requirement to apply for the CB RES status?

No, there are no minimum capacity requirements to apply to the CB RES status.

81. Can hydrogen projects be selected for the CB RES status?

The main component of the project has to refer to the generation of renewable energy. Conversion to hydrogen can only be an ancillary component, which aims to integrate and facilitate the renewables deployment.

82. Is a project business plan required for the CB RES status?



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No, a project business plan is not a requirement for application under this call. Nevertheless, if such information is readily available it can be attached to the application as a supporting document.



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83. If a candidate project is not located in an EU Member State, is an EU Member State approval needed in this case?

Yes, as mentioned Article 7 of the <u>CEF Regulation</u>, CB RES projects shall be included in a cooperation agreement or in any other kind of arrangement between two or more Member States or arrangements between one or more Member States and one or more third countries as set out in Articles 8, 9, 11 and 13 of <u>RED II</u>.

At the CB RES status application stage, the applicants should therefore submit a written declaration of the participating Member States/ third countries (+transit countries, where relevant) expressing their willingness to conclude a cooperation agreement in order to set up the renewable energy cross-border project (see FAQs on cooperation mechanisms above).

84. In what circumstances does a project promoter need to formally involve the transit countries?

The transit countries shall sign the written declaration (described under section 2 of this FAQ document) where relevant e.g. if the CB RES project requires the use of their infrastructure (please see art. 4 of the Delegated Regulation).

85. Regarding the off-taking (contributing) Member State is the CB RES project funded directly by a Member State or can it be funded by another legal entity of the contributing country?

There is no requirement regarding the financing of the CB RES project in the contributing Member State.

4. APPLICATION PROCESS

86. Whom could I contact in the European Commission or CINEA to confirm that our application is complete and suitable for the call?

The European Commission and CINEA follow a strict policy of equal treatment of all applicants. Therefore, individual advice to the potential applicants on the preparation of their application is not available. Detailed instructions on how to prepare an application are available on the CINEA call webpage. General questions about the call and submission process can be sent to the call helpdesk: CINEA-CEF-RENEWABLES@ec.europa.eu

Please note, however, that questions which are specific to a particular application and where the answer would provide a comparative advantage to the applicant will not be answered.



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87. How often can projects apply to be included in the CB RES list? What will be the next opportunity?

The promoters will have the opportunity to apply for the CB RES status at least once a year as stated in Part IV of the Annex to the <u>CEF Regulation</u>.

88. Where can I find all the materials about the open CB RES status call?

All materials from the call for status as well as links to other necessary information are available on the <u>CINEA CB RES status call webpage here.</u>

89. Can supporting documents be sent to CINEA after the call submission deadline?

No. All supporting documents have to be attached to the application in CB RES submission platform. No documents should be sent to CINEA on the initiative of the applicant after the call submission deadline. Should CINEA receive such documentation, it will not be taken into consideration during the application evaluation stage. In order to ensure transparency and fair treatment of all applications, each application will be assessed and evaluated on its own merits, based on the information that it contains.



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90. What will happen to the data provided in the application for the CB RES status?

The data provided in the application will be used for the evaluation purposes and, if applicable, also the CB RES list establishment, adoption, and review; monitoring; as well as communication, in line with Articles 6-11 of the <u>Delegated Regulation</u>.

Personal data will be collected and processed in line with the Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, as set out in the Data Protection Notice made available to the applicants in the application form.

91. What is the level of detail required to describe the project financing part in Annex 2 to the application form?

Applicants should provide a high-level breakdown of expected total costs per investment components and funding and revenue sources. It should be a preliminary assessment of the expected total costs of the project separated into investment components. A split between funding sources should be defined if applicable and already available.

92. Do the applicants need to sign the application form? What signatures are required at the application stage?

Applicants do not sign the application form (only EU login authentication is required). They need to be the project promoters (i.e. a legal entity that develops the CB RES project). Before submitting an application, the applicants have to declare that they have an explicit consent of all project promoters on their participation and on the content of the application. The application shall be accompanied by a signed written declaration of the participating Member States/third countries (+transit countries, where relevant) expressing their willingness to conclude a cooperation agreement in order to set up the CB RES project.

93. What level of detail is to be provided in relation to the environmental protection concerns for conceptual projects, as this is part of the feasibility study?

Applicants should provide the latest data they have at their disposal. If part of the environmental studies (e.g., the EIA) are still to be carried out, it is understandable that the details applicants can provide on environmental related aspect can be limited. In these cases, it is important to explain what the elements on which further studies are still needed. If



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available, it can be useful to refer to data coming from similar projects in that given country and make reference to existing statistics.

94. If, in assessing the application, the European Commission finds a formal defect, does it give the applicant the opportunity to remedy the defect?

Once the application is submitted and the deadline has passed, there is no possibility to change it. Evaluators will assess the project as it is submitted. If the evaluators find obvious clerical mistakes, then they may take it into account in the evaluation.

If then the project is approved and enters in the CB RES, there is the possibility to rectify the mistake, provided that this does not put in question the evaluation and thus the ground for the selection.

95. Will there be the possibility after the deadline to update the submission or clarify elements/aspects that are not clear?

No, once the deadline expires the project will be evaluated as submitted.

5. OTHER

96. What are the obligations of the promoters of projects included in the CB RES list?

Once a year, the project promoter shall submit to the European Commission a progress report with relevant updates of the project specification and implementation.

Every six months the project promoters shall update via the promoter's website, all non-commercially sensitive information of the project, such as project description, status, implementation timetable or location. Moreover, CB RES projects should fully respect all relevant provisions under EU legislation, notably on sustainability of bioenergy, capacity allocation at the borders, unbundling, competition and state aid, biodiversity and environmental protection, as set out in the <u>Delegated Regulation</u>.

97. How can islands get involved in CB RES projects?

Participants from/representing islands, whether part of the EU Member States or third countries, are welcome to get involved in the CB RES projects, and can participate on the same basis as other potential applicants.



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In case an insular territory is not part of the EU, the requirements set out in the Article 11 of <u>REDII</u> apply, including the requirement to have a physical link between the cooperating countries established to allow electricity imports.

98. Can different project promoters apply for CB RES status and CEF funding applications later on for the same project?

Yes. The applicants as defined in the application for the CB RES status do not need to be the same as the applicants in the future CEF calls for studies/works. In any case, the involvement of the promoter in the project and the capacity of the applicant to implement the project should be fully demonstrated in both cases.

99. What if the project scope changes later, does it need to be updated before it applies for CEF grants?

In case a project awarded a CB RES status changes substantially in terms of scope, project set-up, technology, capacity, government's support or another element related to its eligibility and qualification as a CB-RES status, its promoter should notify the Commission at <u>CINEA-CEF-RENEWABLES@ec.europa.eu</u> as soon as possible, and no later than the time of its annual report on the progress pursuant to Article 10(1) of the <u>Delegated Regulation</u>.

Based on this information, the Commission may consult the Group on CB-RES projects comprised of representatives of the Member States. Subject to the decision of the Group within its competence to monitor the implementation of the projects pursuant to Article 10 of the Delegated Regulation, the project might need to resubmit its application for status before applying for CEF grants in order to confirm that it complies with the criteria for a CB RES project.

In specific circumstances, the Commission may decide to withdraw the project from the list.

For more information, please refer to article 9 of Delegated Regulation (EU) 2022/342

100. Please define what works could be eligible for CEF funding when having the CB RES status?

As defined in the <u>CEF regulation</u> "works" means the purchase, supply and deployment of components, systems and services including software, the carrying-out of development and construction and installation activities relating to a project, the acceptance of installations and the launching of a project. These costs incurred as part of a CB RES project are therefore eligible under the CEF CB RES grants for works.



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101. What is the total budget for CB RES projects under CEF?

Of the CEF's energy budget of EUR 5.83 billion in current prices, 15% (i.e. EUR 875 million) is earmarked for CB RES projects for the 2021-2027 period, subject to market uptake. If the 15% threshold is reached, the Commission may increase the share to 20%, again subject to market uptake.

102. Is it possible to combine CEF support for CB RES projects with national support schemes?

All applicants are advised to get information about the national rules that apply to their projects and follow them. In terms of the EU framework, according to Article 17 of the CEF Regulation grants "may be used in combination with financing from the European Investment Bank or National Promotional Banks or other development and public financial institutions, as well as from private-sector finance institutions and private-sector investors, including through public private partnerships."

103. Is a scale up project, which benefitted from Horizon Europe, be eligible?

A project that has been supported by Horizon Europe can apply for the CB RES status. It is to be noted that the focus of the CEF CB RES programme is the implementation of new renewable energy installations, therefore the programme financing technologies that are ready for the market uptake. The innovative nature of the project can be an asset, but cannot be presumed and should be demonstrated in the application documentation and in the CBA.



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104. Is CEF funding considered as state aid or not?

No, CEF funding is not considered state aid, in line with the General Block Exemption Regulation.

105. Is there a page limit for the annexes?

There are no word limits but there is 50MB of size limit for file uploading.

106. If the location has not been finalized, how should the GIS map be filled in the application form? Would selecting the city be enough?

You are invited to use the closest proxy, for example by using polygons instead of points.

107. Could a legal entity participate as a coordinator in one project and as a promoter in another project?

Yes, this is allowed. One single entity can participate in more than one projects and with different roles too.

108. Can any legal entity apply as promoter? Including institutions such as universities?

There are no specific restrictions for universities to apply in the CB RES programme. However, as the CB RES programme finances the roll out of new RES capacity, universities are not the core target of the programme. In particular, if a given project receives the CB RES status and then applies for CEF grants, applicants should be the legal entities that concretely develops the cross-border project.

109. Is it possible for two members of a consortium to work on the application simultaneously on the platform?

No, every EU login user is the only owner of his applications, therefore, in order to co-draft the application, applicants should download the word version, work on it jointly and then the ECAS user that has created the application can populate it in the system with the co-drafted content.

110. If a submitted proposal is reopened for drafting, but then not resubmitted, will the last submitted proposal be accepted for evaluation?



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Yes, if a proposal has been submitted once, it is considered as submitted, unless it is withdrawn by the applicant. Therefore, it will be evaluated. If the applicant reopens the proposal to further draft it, it needs to submit the new draft to make these changes visible. Otherwise, if the new draft is not submitted, the previously submitted version will be considered for the evaluation.

111. What happens if the permit for the project is rejected, and the project already received funding from CEF?

In case the necessary permits are refused or cancelled, the CEF Grant Agreement may be terminated. Each situation will be assessed on a case-by-case basis and the relevant provisions of the Grant Agreement will apply.