

Innovation Fund

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Outline

1. Innovation Fund contribution to the European Green Deal
2. Innovation Fund and the REPowerEU Plan
 - Increased budget of the 3rd large-scale call
 - Dedicated REPowerEU topics under 3rd large-scale call
 - New instrument of competitive bidding and links with the “EU Hydrogen Bank”
3. Outlook for 2023

INNOVATION FUND

Driving clean innovative technologies towards the market



First call for
projects in 2020



€38 billion* to invest up to 2030
in EU's climate neutral future



Avoid emissions and
boost competitiveness

Supporting innovation in:



Energy intensive
industries



Renewables



Energy storage



Carbon capture,
use and storage

*depending on the carbon price.

1. Innovation Fund contribution to the European Green Deal



Cleaning our Energy system



Making transport sustainable for all



Renovating buildings



Transforming our economies and societies



Working with nature to protect our planet and health



Leading the third industrial revolution



Boosting global climate action

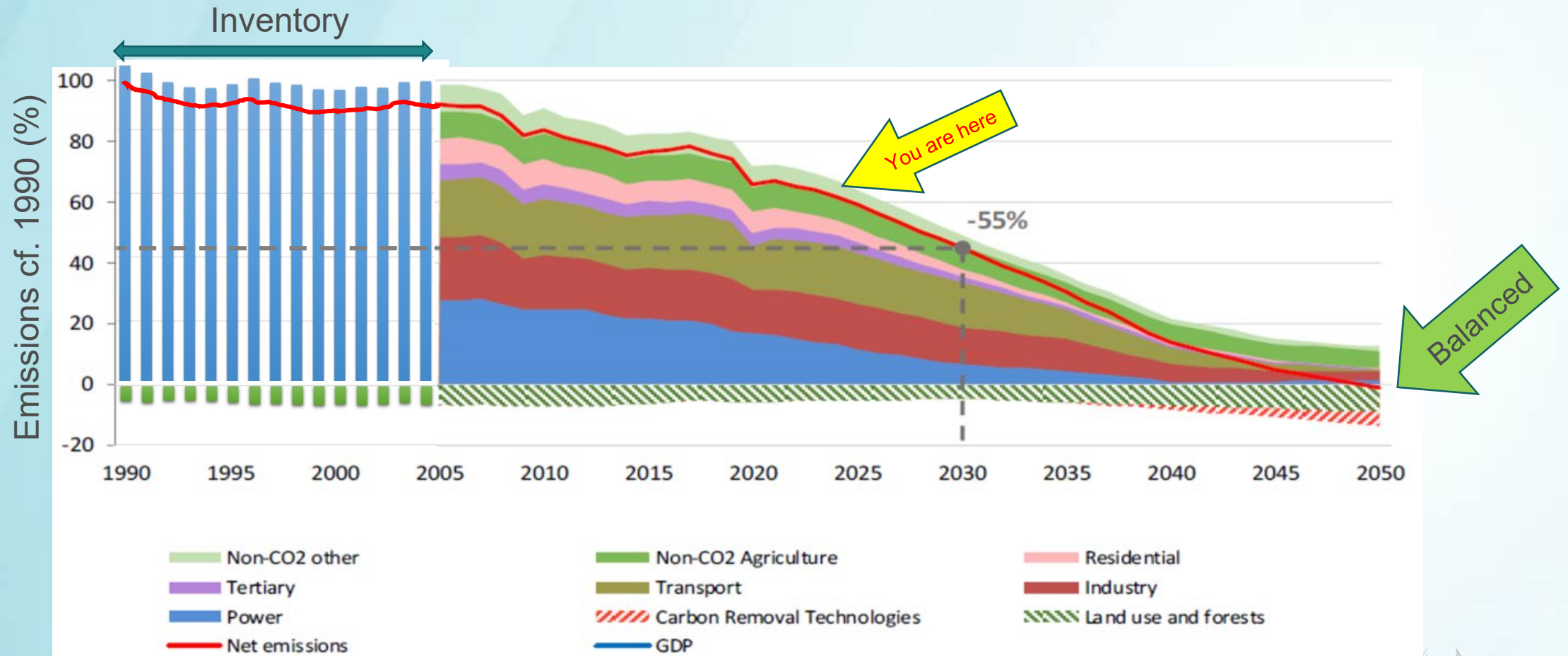
- The Innovation Fund focuses on **highly innovative technologies** and **flagship large-scale demonstration or first-of-a-kind projects** within EU, in NO and IC that can deliver significant GHG emission reductions.

- **Innovative technologies in “hard to abate” sectors** are needed to reach carbon neutrality.

- The Innovation Fund has awarded projects on green hydrogen, CC(U)S, PtX, negative emissions amongst others – that **must be demonstrated by 2030** so that they can be **mainstreamed and help achieve climate neutrality by 2050**.

- **Around 200 Mt CO₂eq of GHG abatement** expected under combined 1st and 2nd large-scale calls and 1st small-scale call

Pathway to climate neutrality



Innovation Fund contribution to the European Green Deal

- To make the IF even better suited for the task, the **revision of the IF** was part of proposal for **revised ETS Directive under “Fit for 55” package** – trilogues are currently ongoing on the following issues on a number of issues, among which:
 - **Increased number of allowances from ETS to fund the IF**
 - New instrument to provide support to projects proposed: **competitive bidding and (carbon) contracts for difference** – currently under preparation
- Other improvements could be made in the revised Delegated Act in 2023 (e.g. improving outlook for medium-sized projects)
- The work is on-going to **broaden the portfolio of instruments** under the Innovation Fund via financial instruments (**InvestEU** and partnership with the **Breakthrough Energy Catalyst**)

Innovation Fund and the EIB Thematic Finance

1 GREEN TRANSITION

Under InvestEU the EIB has been mandated to deploy the funds of the Green Transition facility

→ Available budget of **approximately EUR 1bn** to deploy under thematic finance

2 THEMATIC FINANCE

Ranges from quasi-equity to high-risk debt (incl. mezzanine debt) and project financing

→ **Flexible financial instrument** that can adapt to different business plans

3 RISK PROFILE

Capacity to take **high risk** (feedstock, technological or market)

→ Responds to a **common financial market gap**, supporting projects that have limited access to commercial debt and little or no alternative to equity or grants.

4 COMPLEMENTARITY TO IF

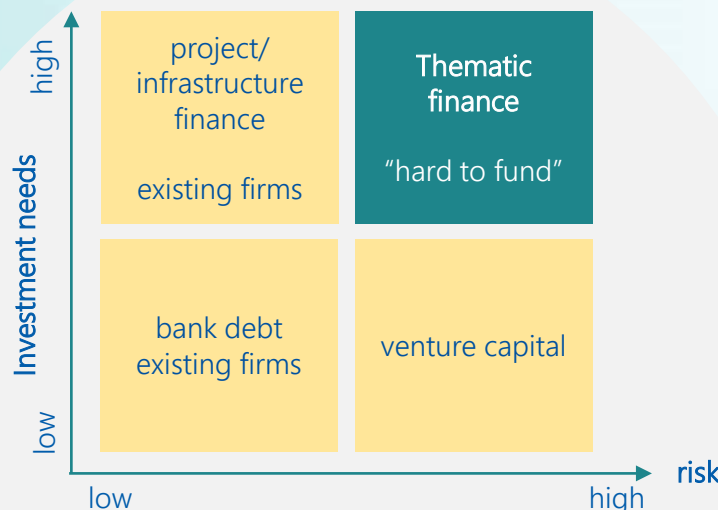
Targeting transactions with a **high level of policy relevance for the EU** aligned with IF

→ Can finance up to 50% of the project costs **alongside IF financing**

5 TRACK RECORD

Close to **EUR 1bn of signatures** to date under Green Transition type mandates (e.g. Thematic Finance under Innovfin)

→ Includes large innovative projects such as Steelanol, Windfloat, Provence Grand Large



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Innovation Fund and Breakthrough Energy Catalyst

Programme Overview

Objectives

Catalyst funds first-of-a-kind climate infrastructure projects that:

- Enable green premium reductions for critical climate technologies
- Require catalytic capital to address financing gaps that can't be filled by the market alone
- Have potential to significantly reduce greenhouse gases

Focus Areas

We currently focus on projects across four technology areas:



Sustainable aviation fuel



Long duration energy storage



Direct air capture



Green hydrogen

Funding

We have two types of capital we can provide to projects and can blend both products together as needed

1

Grant funding: nondilutive grants to support project development and construction

2

Equity investments: minority investments in project companies

What we're looking for

Technologies

- **Green premium reduction:** Cost down potential to reach parity with fossil fuels
- **Technology maturity:** Validated through a real-world operational pilot

Projects

- **Project development maturity:** FEL2 or later
- **Strong project partners:** EPC, suppliers, offtakers, third party financing
- **Additionality:** Clear need for BEC funding that can't be provided in the market
- **Target CAPEX:** ~\$50-500M
- **Target BEC ticket size per project:** ~\$20-50M

Get in Touch

Email us: CatalystEUrfp@Breakthrough.org

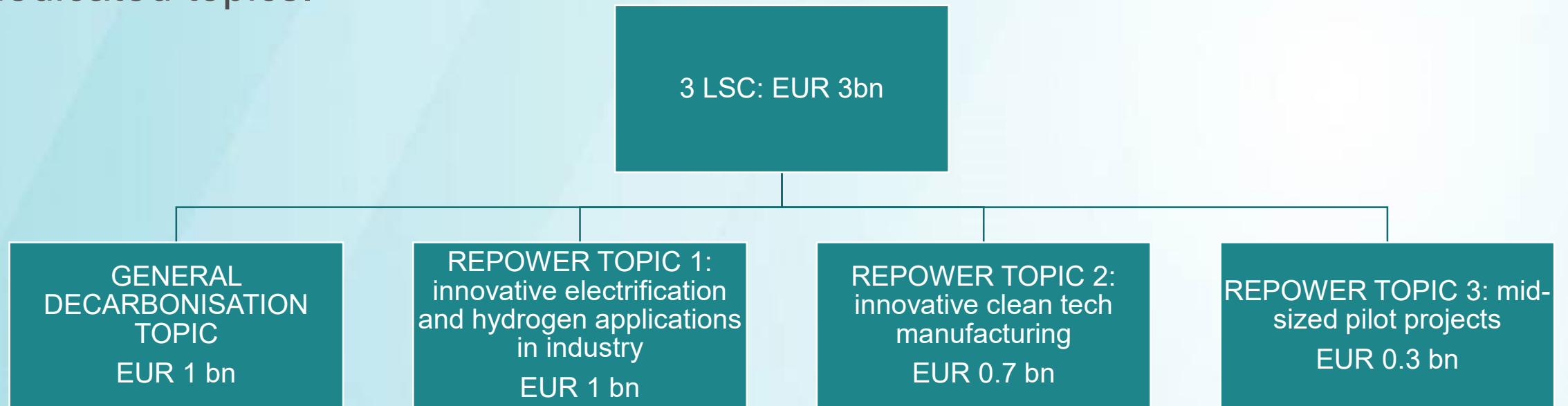
Visit our website to respond to the RFP: <https://breakthroughenergy.org/our-work/catalyst/request-for-proposals/>

2. Innovation Fund and the REPowerEU Plan



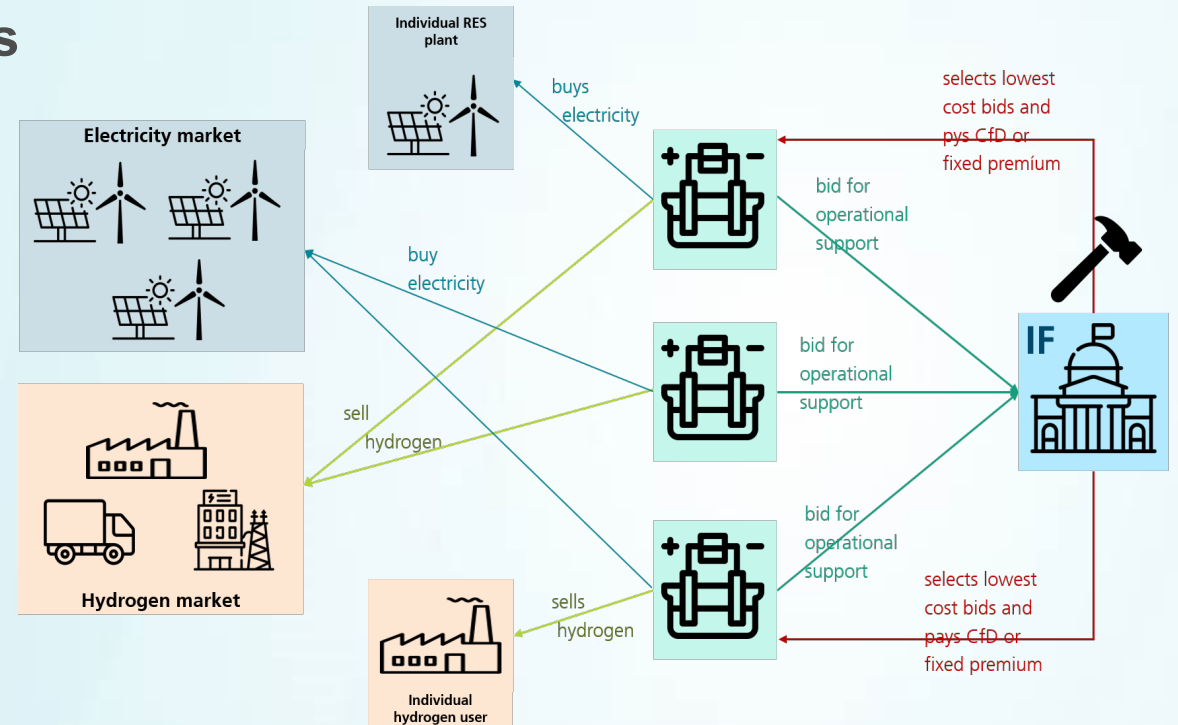
2. Innovation Fund and the REPowerEU Plan

- Budget made available for **3LSC: € 3bn** + 20% flexibility reserve
- In the 3LSC, thanks to **increased budget** and to **reflect the REPowerEU priorities**, the Innovation Fund will become **more focused** by creating 3 dedicated topics.



Competitive bidding and EU Hydrogen Bank

- Following the proposal for the **revision of the ETS Directive**, the Commission has been working on **developing auction mechanisms**
- Multiple advantages are expected.
- **First auctions will focus on renewable hydrogen production and hydrogen-based production processes.**
- **“EU Hydrogen Bank”** announced in this year’s **State of the Union address**.
- Auctions under the umbrella of the Innovation Fund are currently considered as a main implementation option for the **domestic side of the “EU Hydrogen Bank”**. International side is also under development.



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3. Outlook for 2023

- Grant Agreements for the ongoing call for large-scale projects (in Q4 2023) and the second call for small-scale projects (Q2 2023)
- Launch the next call for small-scale projects and the next call for large-scale projects, involve stakeholders in discussion on topics
- Finalise the preparatory work on (C)CfDs: economic design, legal terms & conditions, governance and practical implementation aspects
- Revision of Delegated Act on the Innovation Fund to operationalise competitive bidding and make further improvements
- More support to National Contact Points
- Start preparing for evaluation (scheduled for 2025)