

Finance for innovation: Towards the ETS Innovation Fund



CLIMATE & STRATEGY
PARTNERS

Key Recommendations

Transparent and Clear Project selection Criteria	<p>The Innovation Fund should have clear project selection criteria and a transparent set of requirements, procedures and decision making processes. This can avoid confusion and overlap with other funding instruments, reduce administrative inefficiencies and enable project proponents to present just those projects likely to meet the criteria. Examples of possible criteria mentioned include:</p> <ol style="list-style-type: none">1. Technology Readiness Levels 6-9;2. A range of funding requests considered between Euro 5 and 200 million;3. Innovativeness and performance, project viability and robustness of business model;4. Selection upon clear evaluation grid with identified criteria.
Clear List of Finance Products on Offer	<p>The IF should mainly offer grants, complemented with partial grants and / or de-risked loans or equity (depending on the maturity of the technology) with higher levels of grant intensity for early stage projects.</p>
The Innovation Fund should be a revolving fund	<p>While a strong consensus of experts across groups believes that the IF should be a “revolving fund”, many note that this was at odds with having grants as the major product on offer.</p>
Simple, Two-stage Application Process with Multiple Competitive Calls	<p>There was a consensus from experts for a two-stage IF application process with stage 1 being “light” to pre-qualify projects against a grid of criteria and then stage 2 would involve a fuller project description and more detailed due diligence. A two-stage process is expected to reduce the administrative and financial cost of non-qualification and make the application process more user friendly and clear, encouraging a broader participation and range of ideas in the first round.</p>
IF Decision Making Processes and Resources	<p>IF should be independent and have robust and transparent internal procedures with sufficient resources to properly undertake its responsibilities. Experts felt that the evaluation process should be “short” (1-year timeframe was proposed from submission in Stage 1 to decision after Stage 2). The involvement of independent sector experts was also seen as critical.</p>
Milestone based disbursement, in line with the ETS proposal	<p>IF funding should be provided when the project has a funding gap, leading to a form of contracted “funding against milestones” approach. This has the advantage of providing timely funding to successful projects which are meeting their milestones and also quickly terminating those which fail freeing up spare capital for new innovation funding rounds.</p>
Signposting as a “Service” provided by IF	<p>The Innovation Fund should complement and not overlap with existing EU and national funding programmes. A project development service for prospective but less mature projects would add value and reduce the lead times.</p>
Preferences for “Collaborative Consortia” with Cross-sector Technologies	<p>IF could focus on supporting an enlargement of value chains, increasing cross industry cooperation and to innovate horizontally applicable, integrated solutions and innovation that results in services replacing or complementing existing products. IF is encouraged to promote cooperation across sectors and support partnerships with technology service providers that have the potential to cross-fertilize different industries with key low-carbon technologies. IF might incentivize the formation of “collaborative consortia” with “cross-sectorial” technologies through awarding extra points in consideration of Stage 1 scoring.</p>

Please download report here: [link](#)