



## **Low Carbon Infrastructure Transition Programme (LCITP)**

### **Low Carbon Innovation Funding Invitation**

#### **Frequently Asked Questions**

**Last updated 18 July 2018**

#### **Project Support**

**Q: Is it mandatory to attend workshops?**

- We strongly recommend that projects attend one of the ten workshops hosted across Scotland.
- The workshops have been developed to provide projects with background information to the Call, the application process, information and guidance relating to eligibility and application criteria.
- The workshops will also provide projects with an opportunity to engage directly with the LCITP Team.

**Q: What support is available to help complete the application form?**

- In addition to the ten workshops, a number of guidance documents are available on the Scottish Government LCITP website including the invite for applications, the application form and associated guidance documents.
- These documents and this FAQs section will be kept under review.
- As this is an open, competitive and transparent process, dedicated support to assist with the completion of the application form is not available for this stage.
- If having read all supporting information / guidance and this FAQ section, you still have a query about the invitation process, please e-mail [lcitp@gov.scot](mailto:lcitp@gov.scot). All responses provided via this address will be made available to others through this FAQ document.

**Q: When will I find out if my Application for Development Support has been successful?**

- The closing date for applications is 30 April 2018. LCITP will endeavour to inform projects of the outcome of their applications by 15 June 2018.
- A detailed timeline, dates etc. are listed at Annex B.

**Q: When will I find out if my Expression of Interest for capital support has been successful?**

- The closing date for applications is 30 April 2018. LCITP will endeavour to inform projects of the outcome of their applications within six weeks of submission.

**Q. What is an Integrated Energy System?**

- It is a system that demonstrates a novel approach to energy supply and management at a local level bringing together the following elements: energy demand reduction, heat, electricity and transport needs as part of an active integrated system.
- It should take a holistic view of electricity, heat, energy demand reduction and energy needs for local transport and prepare an appropriate low carbon response.
- There are no restrictions on technology.

**Project Funding**

**Q: Are there limits to the total project value?**

- Development Projects - Total development funding available to projects from LCITP is up to £100,000. **Projects must provide 50% of the match funded e.g. LCITP contribution maximum £100,000 – Project Contribution minimum £100,000.**
- Capital Projects - Total capital funding available to projects from LCITP is up to £10 million. **Projects must provide a minimum of 50%.**
- 50% is the maximum intervention rate that will be considered for all projects under this invitation at both stages.
- Where applicants or project types have previously received LCITP support, lower intervention rates will be considered.

**Q: What costs are covered by the financial support?**

- The financial support for stage 1 will cover activities to help develop an investment-ready business plan. This is likely to include the appointment of advisors to assist with this process and could cover the following activities:
  - Support to further refine and scope projects;
  - Develop a final business case;
  - Prepare a strategic development plan;
  - Develop a market demand analysis;
  - Valuations;
  - Financial options appraisal – providing support for investment options and propositions; and
  - Project management support and services (and/or support to appoint a Local Development Officer).
- The financial support for Stage 2 will be in the form of Repayable Assistance and is likely to cover:

- Financial costs occurred for the purchase of physical assets.
  - Financial costs incurred for the costs of installation, construction and commissioning.
  - Staff costs for staff contracted to work 100% on the capital project.
- Please note that consultancy costs are not eligible capital costs.

**Q: Will projects who apply for development support be able to appoint their own professional technical advisers?**

- No. All professional advisers will be secured through an open and transparent competitive Scottish Government procurement process managed by LCITP in accordance with procurement legislation and practices.

**Q: Do projects have to match the LCITP funding with cash?**

- Projects applying for capital support must have documentary evidence confirming that they have the required match funding in place in cash.
- Projects applying for development support can provide a proportion of their match funding 'in kind' with staff time where appropriate. Projects utilising 'in kind' support must provide written evidence of the time that staff have engaged in project related activity.

**Q: Does match funding need to be paid back to the funder?**

- This is a contractual issue between the project and match funder. LCITP will not release grant funding in advance of need. Projects can only seek payment of grant following the successful completion of agreed milestones or agree deliverables. This also limits the potential for LCITP having to claw back grant

### **Project Eligibility**

**Q: It is a requirement to have completed a feasibility study. What does this mean?**

- Yes. All projects seeking development or capital support from LCITP must have a completed and up-to-date feasibility study to support their application.
- The feasibility study will provide LCITP with an accurate assessment of the practicality of a proposed project or system.
- This document must objectively cover the strengths and weaknesses of the project proposal and make a recommendation about project scope.
- It should also set out at a high level the total cost for delivery and an assessment of the value or benefit to be derived from the project.

**Q: What if my project doesn't have a feasibility study?**

- Feasibility is a requirement for funding at Stage 1. If you don't yet have feasibility, the Scottish Government's Community And Renewable Energy Scheme (CARES) provides support and funding to local energy projects with a strong community focus. Options appraisals, local energy planning and feasibility studies are eligible for support. Contact Local Energy Scotland at [www.localenergyscotland.org](http://www.localenergyscotland.org).
- Projects at the proof of concept stage will not be supported.

**Q: There are eligibility criteria listed on the invitation to apply document, how many of these should projects be able to demonstrate?**

- The LCITP Assessment Panel, including external technical advisers where appropriate, will assess and evaluate all applications received against the eligibility criteria listed in **Annex A** and in the application form. The sections of the application form where a ✓ is highlighted in the 'Assessed' column on the right hand side indicate where an assessment and score will be given. If your project cannot meet these criteria, it is unlikely to be successful in securing funding.
- Projects must also detail a project location, end user and technology

**Q: Which, if any, of the eligibility criteria are mandatory for projects?**

- A list of the mandatory eligibility criteria (show-stoppers) are listed below:

**Mandatory criteria that must be demonstrated and evidenced by project**

Ability to meet at least one of the funding invitation priority areas;

1. the potential to deliver a significant reduction of greenhouse gas emissions (MtCO<sub>2</sub>e) and energy consumption;
2. the ability to secure other sources of funding/finance that make a minimum of 50% contribution towards the cost of the final delivery costs of the project – it is vital that projects provide evidence of having match funding in place at time of application.
3. the potential to have a positive and significant social and economic impact on Scotland;
4. sets out clearly the requirement for and value added from LCITP support;
5. can be fully commissioned by 30 September 2021, where 'commissioned' means the completion of such procedures and tests in order to demonstrate that the generating station is capable of commercial operation;

**Q: What evidence of match funding does LCITP require in order to demonstrate that a project has the required match funding in place?**

- All projects must be in a position to provide LCITP with copies of documentary, legally binding contracts or agreements, as evidence of having secured the required match funding. LCITP will

only finalise funding awards to projects i.e. countersigned grant offer letters, upon receipt of this documentary evidence.

- LCITP reserves the right to contact the match funding providers named in the application to request confirmation of their commitment to investment in your project.

### **Eligible Technologies**

#### **Q: What low carbon technologies are eligible under this invitation?**

- This invitation has been designed to encourage innovation in the design of low carbon and renewable energy systems and encourages consideration of a range of solutions in heat, electricity and transport.
- Technologies that are not eligible includes:
  - Projects or technologies at the research and development (R&D) stage or any research and development related activities.
  - Established generation technologies in Scotland such as large scale onshore wind, biomass, or conventional gas technologies including CHP (unless where one of the above is an element of a wider innovative project combining a range of technologies).
  - Developing technologies at EU Technology Readiness Level 1-5.
  - Transport other than energy infrastructure projects that support the uptake of ultra low emission vehicles or as part of a local integrated energy solution.

#### **Q: How does LCITP differentiate between R&D projects and projects that have progressed beyond R&D?**

- Projects that are still at the concept proving stage i.e. is the project technically viable, are considered to be at the research and development stage TRL 1-5. These will not be eligible for funding by LCITP. Projects that have moved beyond TRL 1-5 may be eligible for funding.

#### **Q. Using the EU Technology Readiness Levels Definitions, what technologies are eligible under this Invitation?**

- Stages 1-5 - not eligible
- Stage 6 – considered on case by case basis
- Stages 7-9 - eligible

#### **Q: If a project comprises multiple technologies that include some technologies excluded under the call, would this have an impact on eligibility?**

- These projects will be assessed on a case by case basis with only eligible low carbon costs being supported through the call.

#### **Q: Are circular economy projects eligible?**

- The [Zero Waste Scotland Circular Economy programme](#) is a more appropriate source of funding for projects with this focus.

**Q: If my project covers all three themes of the call, what theme should projects highlight to apply for funding?**

- As the project covers all three themes, this would be viewed as an Integrated Energy System. Projects should therefore select this option in the appropriate application form.

**Q: Are water/waste water projects eligible?**

- Not if solely about water demand reduction. However, water/waste water projects can be considered alongside energy activities.

**Q: Is biogas CHP technology eligible?**

- Yes, renewable gas sources (e.g. hydrogen/bio-methane) are eligible.
- However projects that utilise of natural gas in CHP technology are not eligible for financial support

**Q: Would a gas-fired CHP be eligible if it were more financially viable than a heat pump?**

- Not if using conventional natural gas. This invitation focusses on low carbon renewable projects

**Q: What % of fossil fuel is eligible as part of the fuel mix?**

- Fossil fuel projects are not eligible for support under LCITP. Where projects use a small percentage of fossil fuel, LCITP will seek advice from technology experts and EU Managing Authority on acceptability as well as judging against the eligibility criteria.

**Q: Large scale biomass is not eligible under this call. What is considered to be “large scale” biomass?**

- large scale biomass is >20 MWth - this refers to using woodchip and pellets as fuel source.
- For a completely new thermal cycle i.e. biomass technology that does not utilise woodchip and pellets, the >20MWth threshold would not apply but the additional environmental benefits of the new thermal cycle would be compared to the conventional biomass technology.

**Q: Is CHP with natural gas eligible for the Call?**

- Gas or LNG will only be considered where it is a minority part of a wider Energy System and does not form the only fuel source.

**Q: Transport – are only electric vehicles eligible for funding through the call?**

- No, all transport models will be considered through the call.

## General Project Questions

**Q: Would a project with purely social aims be exempt from repayment if supported through repayable assistance?**

- Repayable Assistance will be used to support all capital projects
- All successful projects will receive the most appropriate type of support which would be discussed with each project on a case by case basis.

**Q: What is repayable assistance?**

- All projects, receiving capital support, will have a repayment clause within their grant offer letters. The repayment clause will come into effect once a project reaches a specific trigger point. Any and all funds reimbursed to LCITP through the repayable assistance clause will be reinvested to provide support to other low carbon projects and activity.
- The repayable assistance clause will vary depending on the project and dependent on the information obtained from the detailed due diligence taken forward on the project by the LCITP Client Engineer. Information taken into account will include the project financial model, technical readiness and the information detailed within the project's mandatory documentation.
- The repayment clause will apply for five years after the commissioning date.

**Q: Can LCITP offer projects any further guidance on your intent/requirement when designing terms e.g. you must recover the capital amount?; you will seek to recover capital if the project exceeds or fails to meet its commercial targets?**

- LCITP will seek to recover the capital should the project begin to generate an income. The level of income that triggers repayment is assessed by independent advisors based on the projects financial model. The threshold for triggering the repayment clause will be clearly detailed within the project grant offer letter.
- LCITP will seek to recover grant for demonstration projects, if that project fails to deliver financially once operational.
- LCITP will not release grant funding in advance of need. Projects can only seek payment of grant following the successful completion of agreed milestones or agreed deliverables. This also limits the potential for LCITP having to claw back grant.
- To assist with the monitoring of projects, LCITP will secure the services of a client engineer to support LCITP with the release of grant funding.

**Q: Does LCITP charge interest on repayable assistance?**

- No interest is charged on repayable assistance.

**Q: How do you build in other potential incentives i.e. Contracts for Difference etc.?**

- The base case finance model submitted by projects should contain no incentives.

**Q: Should the project's financial models include indexation?**

- Yes, where appropriate, indexation should be applied to cashflow projections in the financial model.

**Q: Can you provide a better definition of publically available funding and other potential funding routes open to projects?**

- There are a number of funding options available to projects. LCITP expects projects to have made significant progress to ensuring that they have match funding in place at the time of submitting an application.
- Projects may, for example, have secured funding through the Renewable Energy Investment Fund (REIF).

**Q: How can a project demonstrate a clear plan for community engagement?**

- The invite requires all applicants to demonstrate a plan is in place for community engagement to help form and develop the project within the local community. Ideally, engagement should start as early as possible and should continue throughout the project.
- When planning community consultation it may be helpful to consider:
  - What should be the geographical area to engage?
  - Within that area, who should be the appropriate contacts and communities of interest for consultation?
- For more information on identifying stakeholders, see Scottish Government Good Practice for Community Benefits available at: [www.localenergyscotland.org/goodpractice](http://www.localenergyscotland.org/goodpractice)

**Q: Who can apply?**

- The LCITP application process is a fair, open and competitive process with all applications being considered.
- Projects can be led by the private, public and community sectors; however, we also welcome consortia or partnerships.
- Inward investment from companies based out-with Scotland is welcome as long as the project is wholly based in Scotland.

**Q: We are a consortium. Which organisation should be the lead applicant?**

- In the case of a consortia application a lead body must be clearly identified in the application form.
- It is for the consortia to decide which partner is best placed to lead the project application.
- The lead body will be responsible for all aspects of the management and delivery of the project including, in the majority of cases, accepting responsibility on behalf of the consortia for all offers of funding and any associated conditions of funding.
- All partners must be identified in application form with a named contact to confirm commitment to the project on behalf of that organisation. Evidence of partner participation must be provided.



- LCITP reserves the right to contact the partners named in the application for confirmation of the nature and level of their involvement in the project and to ask any pertinent questions in relation to the application.

**Q: How formal does the partnership agreement need to be at the point of application?**

- To demonstrate and evidence the full commitment of project partners, any and all legal agreements must be in place at the time of the project submitting its application – this must include all legal agreements demonstrating that all match funding for the project is in place at the time of the project submitting its application, with clear evidence and all legal agreements.

**Q: Can LCITP provide support to facilitate building consortia and matching projects and technologies?**

- No but LCITP will circulate share information wherever possible to maximise learning from the exercise
- It is for interested parties to share project information where appropriate prior to applying.

**Q: If repayable assistance is provided, is it still deemed as state aid?**

- The state aid rules will still apply
- LCITP will consider the rules and assess each project for state aid compliance on a case by case basis before making any award.

**Q: Will the financial support offered have an impact on RHI eligibility?**

- Chapter 4 of Ofgem’s guidance on non-domestic RHI sets out how the receipt of public funded grant can impact on RHI eligibility and further advice is available from Ofgem: <https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi>.

**Q: How do I know which parts of my project will be eligible for RHI support?**

- General guidance on the eligible costs covered by RHI is available in the Ofgem guidance available at <https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi>. Specific queries should be directed to Ofgem.

**Q: I am already receiving financial support from the Scottish Government in respect of this project. Am I eligible for additional support through this invitation?**

- This will be considered on a case by case basis.
- Full details of the support already being received should be included in the application form.
- The LCITP team will then consider the nature and scope of the Scottish Government financial support already awarded and whether there are any additional elements of the project eligible for LCITP support.

**Q: Can I submit an application for more than one project?**

- Yes. There is no limit to the number of applications for which an individual, consortium or partnership can submit.

- However, only one project should be outlined in each application and the projects must not be in the same location. If the projects are in the same location, the project/system proposed should be integrated.

**Q: Who will assess my application?**

- The process for assessing project applications is a robust one. The panel members will comprise of financial and technical experts from LCITP partner organisation including Scottish Enterprise, Highlands & Islands Enterprise, Resource Efficient Scotland and Scottish Futures Trust. There will also be academia representatives too.
- LCITP will also procure the services of a client engineer to undertake technical and financial due diligence on all projects recommended for funding by the LCITP panel.
- All panel members will be required to sign a disclaimer agreeing not to release any commercial/confidential information viewed during the assessment process.

**Q: Can capital payments to projects be made post- September 2021?**

- Where evidence can be produced that a cost was incurred prior to end of September 2021, LCITP will be able to cover those costs where the invoice associated is submitted with three months but only up to December 2021. This is according to ESF rules for ‘defrayed expenditure’. We will not cover for costs not yet incurred.
- LCITP support is used to fund the gap between the project’s committed match funding and the total eligible expenditure. Where underspends or ineligible expenditure reduce the total value of a project, it is the LCITP component of the funding package that will reduce, and not the match funding.
- For example, a project is approved for total capital costs of £5m, of which £2.5m is from LCITP. Owing to delays, only £3m expenditure has been incurred by September 2021. In this case, the LCITP support to this project would be £0.5m with the project contributing £2.5m match as agreed. We may retrospectively recover any overpaid LCITP grant in this scenario.

**Q: If our project is successful and is awarded funding under this Invitation, what will be the reporting requirements associated with receipt of support?**

- All projects receiving funding through LCITP must adhere to an agreed monitoring and governance process. Projects must complete and submit project progress reports at regular monitoring intervals e.g. monthly reports as agreed by the LCITP project support team. Projects will be expected to complete and submit a reporting template in advance of all project progress and monitoring meetings.
- These reports will provide the evidence that the project milestones have been reached and that projects can submit an invoice, together with supporting documentary evidence, for the release of grant funding
- Project monitoring and stage gateway undertaken by LCITP Partners or an external provider contracted by LCITP to assess progress against project milestones.
- The final project report shall detail the forecast capital or developmental costs and actual capital or developmental costs for the entire project. This report will include details of the progress made towards the criteria identified by LCITP Partners through this fund as well as a likely future timeline for achieving exploitation of project results. The report will also include details on the electrical generation performance achieved by the facilities where this was a project aim.

- Following the end of support provision, LCITP Partners will require annual reports for a period of up to 5 years after completion of the project. These reports will cover the progress of the project and technology towards commercialisation and economic impact in Scotland.

**Q: How will LCITP allocate funds if the total funding allocation of £60m is over-subscribed?**

- The process for allocating funding to projects is a competitive one. Only those projects that are best able to demonstrate and evidence that they meet the eligibility and requirements of the call will receive funding.

**Q: Given the size of the supporting documentation, file size etc. how will LCITP manage the submission of materials to ensure that projects are able to submit materials without difficulty?**

- The LCITP Project Support Team is looking at options for the submission of project documentation.

**Q: What is the appeals process if we disagree with the decision made?**

- Projects seeking funding through the call will be subjected to a robust evaluation process before recommendations and decisions are made.
- Projects that are concerned with decisions made should raise these in writing within 7 days from outcome notification.
- In this instance an independent assessor will review the decisions made providing clear evidence as to whether the decision/recommendation made by the panel was correct when assessed against the eligibility criteria
- Projects will be unable to provide any further information or answer any questions as the appeal relates to information submitted within the original application deadlines.

**Q: What happens if we don't provide all the mandatory documentation?**

- Projects must to comply with the criteria set out in the invite and application. This includes the submission of all mandatory project documentation.
- Missing documentation will impact on the evaluation of the project.
- Missing documentation will not be requested by the LCITP after the submission deadline for applications.

**Q: Procurement – would private bodies be subject to the application of the Public Contracts Regulations?**

- Projects are advised that as the funding is up to or less than 50%, private bodies would not be subject to the application of the Public Contracts Regulations.
- Projects should therefore:
  - Follow procurement rules as they apply to your organisation.
  - Evidence that they have followed their organisation's procurement rules.
  - Put in place fair, open and transparent procurement arrangements to support the delivery of the project. Wherever possible this should include an element of competition to ensure best value. Where a single source is selected without competition, the Project should be in a position to justify this procurement route to the LCITP.

**Q: Would a project be able to procure/appoint its own professional advisors?**

- Projects can use their own match funding to appoint a professional contractor. If a project is seeking support from LCITP to appoint a professional contractor, this contractor will be procured by LCITP who will adhere to the procurement rules and legislation to appoint a suitably qualified contractor.

**Q: Which procurement frameworks or methods will LCITP use to secure contractors?**

- There are a number of Scottish Government and Crown Commercial Services (CCS) frameworks that LCITP will use to secure and appoint contractors. LCITP will use a relevant technical, legal and financial framework to advertise the procurement opportunity.
- Depending on the value of the contract, LCITP is also able to use Quick Quotes for appointing a contractor.

**Q: Under which General Block Exemption Regulation (GBER) article will financial support be provided?**

- All financial support provided under LCITP will be in compliance with State Aid rules. Financial support may be provided within the limits set out in the following scheme notified to the European Commission under Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the common market in application of Articles 107 and 108 of the Treaty – General Block Exemption Regulation (GBER).
- Appropriate cover for LCITP has been provisioned for under the General Block Exemption Regulation [[GBER](#)] and a registered scheme has been approved by the Commission - SCHEME REFERENCE NUMBER: SA.41844. This allows for public funding to be given to successful applicants under the specific articles we have cover for using the attached aid intensities. The remainder of the funding for successful applicants must then come from private resources.
- Awards will potentially be made under one of the articles of the GBER listed below but it is recognised that each project circumstances will be unique. It is for each project to form a view at application stage of which article fits best for their project. If your application is successful it will be for the project to explain why that particular article is the best fit with their project. All final decisions will be made by LCITP.
  - **Article 25 - 2. (b) industrial research;**
  - **Article 38 - Investment aid for energy efficiency measures;**
  - **Article 41 - Investment aid for the promotion of energy from renewable sources;**
  - **Article 43 - Operating aid for the promotion of energy from renewable sources in small scale installations;**
  - **Article 46 - Investment aid for energy efficient district heating and cooling;**
  - **Article 48 - Investment aid for energy infrastructure.**
- Please check with your key contact what the aid intensity and the eligible costs shall be under each specific article listed above for this Invitation for Funding. N.B. The total LCITP award cannot exceed 50% of the total development or CAPEX costs of the project under Stages 1 or 2.
- All projects should bear in mind that the maximum aid intensity of total public support to a project is 50%.

**Q: Can a project make up the 50% match funding with other public funds?**

- No, projects cannot make up any of the match funding with other core government funding.
- Please get in touch with us at [lcitp@gov.scot](mailto:lcitp@gov.scot) if you are unsure as to whether the funding you are using will be eligible for use as part of match funding.



## Eligibility Criteria

The project proposal submitted should demonstrate an ability to meet the following criteria:

### Mandatory criteria that must be demonstrated by project

Ability to meet at least one of the funding invitation priority areas;

- the potential to deliver a significant reduction of greenhouse gas emissions (MtCO<sub>2</sub>e) and energy consumption;
- the ability to secure other sources of funding/finance that make a minimum of 50% contribution towards the cost of the final delivery costs of the project; - **it is vital that projects provide evidence of having match funding in place at time of application.**
- the potential to have a positive and significant social and economic impact on Scotland;
- sets out clearly the requirement for and value added from LCITP support;
- can be fully commissioned by 30 September 2021, where 'commissioned' means the completion of such procedures and tests in order to demonstrate that the generating station is capable of commercial operation;

### Desirable criteria that may be demonstrated by projects:

- detailed actions to improve the use and management of energy in all buildings incorporated within the project;
- an innovative approach to cross sector collaboration and/or partnership to ensure successful project delivery;
- explores the potential for community investment or ownership;
- demonstrates clear plans for community and wider consumer engagement;
- considers how the technology will address consumer needs of the future energy system and deliver benefits to end users;
- demonstrates discussion with relevant local partners that are involved in the development of Local Heat and Energy Efficiency plans or other energy planning processes; and
- has a high level plan for dissemination of learning points to support replication and other project development proposals.

This financial support cannot cover:

- projects or technologies at research and development stage or any research and development related activities;
- established generation technologies in Scotland such as large scale onshore wind, large scale biomass, or conventional gas fired CHP supported technologies;
- developing technologies at Technology Readiness Level 1-6;
- transport other than energy infrastructure projects that support the uptake of ultra- low emission vehicles or where part of a local integrated energy solution.

## Timeline

## Development Support

Activity	Timescale
Application Deadline	30 April 2018
LCITP Assessment Panels	Mid May 2018
Award Letters/MoU's issued to successful projects	By 1 July 2018
Procurement and appoint of professional advisors	By 30 August 2018
Completion of Investment Ready Business Case	30 June 2018

## Capital Support

Activity	Timescale
EoI Deadline	30 April 2018
Notification of Result	15 June 2018
Full Application Deadline	15 August 2018
Independent Due Diligence	30 November 2018
Final awards issued	December 2018