

19 January 2018



EUROPE & SCOTLAND
European Regional Development Fund
Investing in a Smart, Sustainable and Inclusive Future



Low Carbon Infrastructure Transition Programme

Low Carbon Innovation Funding Invitation

Scope

In September 2017, the Scottish Government committed to invest up to £60 million to deliver innovative low carbon energy infrastructure solutions across Scotland, such as energy storage, sustainable heating systems and ultra - low emission vehicle infrastructure.

This fair and open funding invitation has been designed to accelerate the delivery of large scale innovative low carbon infrastructure projects that support the ambitions set out within the recently published Scottish Energy Strategy.

Projects must be of a significant scale and must be based in Scotland. Development support of up to £100,000 is available to help projects complete Investment Grade Business Cases. For capital ready projects, financial assistance for up to 50% of the total capital value of a project up to a maximum of £10 million per project, where capital value covers financial costs associated with the build and installation of an exemplar project (i.e. purchasing of physical assets). The successful projects will be innovative in design incorporating one or more low carbon technologies, demonstrating economic, social and low carbon benefits for Scotland.

This financial support has been designed to encourage innovation of both design and business models. The financial support focuses on low carbon and/or renewable electricity and heat generation solutions and measures which will enable the transition to ultra-low emission vehicles for Scotland. As a result, this will contribute to Scotland carbon reduction ambitions.

Policy Context

In December 2017 the Scottish Government published the [Scottish Energy Strategy: The future of energy in Scotland](#), following an extensive consultation.

The Scottish Government intends to continue the work that we've been doing to help businesses in Scotland use their experience, adaptability and willingness to diversify in order to become more competitive and to deliver sustainable, inclusive economic growth for Scotland. This includes attracting and stimulating interest, capability and private sector investment in a wide range of low carbon energy projects and companies, including at local and community level.

Funding Invitation Priority Themes

To support the strategic priorities within the Energy Strategy, applications are sought for projects in the three priority themes below:

Theme 1 – Integrated Energy Systems

There is a need to accelerate the uptake of local integrated energy systems that demonstrate a diverse range of technologies working together to deliver an optimum solution, maximising value, efficiency and reliability. Given Scotland's diverse geography and potential for a variety of energy solutions there is real potential for companies to export solutions to other parts of the world. Scotland will also have to make best use of existing energy infrastructure to optimise the current renewable capacity.

LCITP is seeking applications from integrated energy systems projects that demonstrate a novel approach to energy supply and management at a local level where energy demand reduction, heat, electricity and transport needs are considered as part of an active integrated system. Projects may include, but are not limited to, innovative ways to manage electricity capacity demands in a constrained area and renewable solutions that integrate energy storage and sustainable transport needs of a local area.

Theme 2 – Low Carbon Heat

LCITP has a particular interest in projects that demonstrate how Scotland's heat demand will be met by innovative low carbon and renewable heat generation solutions while addressing technical and commercial barriers. Projects must demonstrate technologies and business models for producing innovative solutions to

provide low carbon heat to buildings. These solutions may demonstrate a technology/s, demand management system or a combination of these.

Projects may include, but are not limited to: renewable heat technologies, novel energy storage projects linked to maximising value from constrained generation, smoothing out intermittency from renewable energy generation, repurposing the gas grid to decarbonise domestic and commercial heating and active network management solutions including matching local demand and supply to optimise renewable generation

Theme 3 – Ultra Low Emission Vehicle Infrastructure

LCITP will welcome proposals for innovative energy infrastructure projects that support the uptake of ultra- low emission vehicles which also deliver publicly available charging and re-fuelling solutions for electric, hybrid and hydrogen-powered fuel cell vehicles. Proposals could include smart charging infrastructure (where charging can be shifted based on grid loads and in accordance with the vehicle owner's needs), grid balancing (matching the supply of energy with demand) and energy storage requirements. ULEV infrastructure should be publicly accessible - and interoperable with existing networks in Scotland to support the development of a sustainable transport network. ULEV infrastructure should be publicly accessible - and interoperable with existing networks in Scotland wherever possible to support the development of a sustainable transport network.

Purpose of Low Carbon Infrastructure Transition Programme

Launched in March 2015, the LCITP is a working partnership between the Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise, Scottish Futures Trust and sector specialists. A range of support mechanisms including project development, expert advice and financial support (where applicable) is available through the LCITP to support the delivery of substantive private, public and community low-carbon projects across Scotland.

The programme aims to stimulate commercial interest and investment and maximise Scotland's vast potential in the low carbon sector whilst contributing to the positive progress of the Scottish Government in reducing Scotland's greenhouse gas emissions.

The Low Carbon Innovation Transition Programme is supported by the European Regional Development Fund (ERDF) which is an outcomes and results-driven infrastructure investment programme. It is designed to ensure that investment results in defined impacts for communities. The 2014-2020 ERDF strategy and programmes are designed around Strategic Interventions. These are large scale programmes of work which will be managed by Lead Partners – organisations that have a demonstrated capacity to manage Strategic Interventions and comply with the audit responsibilities for the funds.

Eligibility Criteria

Applications are welcome from low carbon infrastructure projects that will be delivered in Scotland, with a project location, proof of technology concept and an end user for output identified at time of submitting an Application.

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 (MtCO₂e) 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;
- 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.

Appendix One - Application and Assessment Process

Submissions are welcomed from consortia of organisations. Public, private, third and community sector organisations are eligible. In the case of a consortia, a lead body must be identified that will be responsible for all aspects of the management and delivery of the project, including accepting responsibility on behalf of the consortia for all offers of funding and any associated conditions of funding. All partners must be identified within the submission with a named contact provided that will be able to confirm commitment to the project.

Only projects that meet all the eligibility criteria for this financial support as detailed above will be considered.

Application for Stage 1 Development Support

Stage 1 Development Support funding will help develop project proposals to become investment-ready. Following successful completion of Stage 1, where projects are eligible, there will be an opportunity for further funding as part of Stage 2 which is focussed on capital support in order to make projects fully operational.

Purpose: to prepare investment-ready business proposals. This support is aimed at projects that have already proven technical feasibility, whether or not supported through LCITP, and will support the development and completion of high quality and comprehensive investment grade business proposals in relation to infrastructure projects. Further [guidance](#) on developing an investment grade proposals has been developed by the Scottish Government as part of the Low Carbon Infrastructure Transition Programme.

Value: up to £100,000 which must be match funded by the project (can be partially matched 'in kind' with staff time where appropriate).

Type of funds: the support is likely to be offered in the form of procured professional advisors who will help project partners to develop a project proposal; or a direct grant only where in-house expertise for project development, financial and technical skills, can be clearly demonstrated.

Final deadline for receipt of Development Application: 30 April 2018

Timescale: development proposals must be completed by 30 June 2019 at the latest

Work Supported: development activities may include, but not be limited to, the following:

- Support to further refine and scope projects;
- Develop a final business case;
- Prepare a strategic development plan;
- 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).

Interested projects are invited to submit an Application Form for Development Support for assessment which covers the key eligibility criteria. In addition, copies of the following documents should also be submitted with the Application Form at the time of submission:

- Previous feasibility, design work or proof of concept work that relate to the project;
- Documentation evidencing the project partnership;
- Documentation relating to the confirmation of project site location;
- A high level delivery programme for anticipated activity;
- A risk register identifying the high level risks to delivery of the programme; and
- Any additional information available that supports the project proposal.

Application Timeline

In order to support the process of fair and open competition the key process dates are set out below and are applicable to all applicants.

Publication of Invitation	January 2018
Workshops	February to March 2018
Deadline for receipt of Applications for Development Support	30 April 2018
Outcomes	15 June 2018
Award	1 July 2018
Procurement of professional advisors	July and August 2018
Final completion of development work	30 June 2019

Stage 2 – Capital Support

Stage 2 Capital Support funding where projects can demonstrate that they have a project has a completed investment case demonstrating readiness for capital support

Purpose: to support capital costs to accelerate projects that are ready to begin procurement and construction activity. Eligible capital costs are:

- financial costs incurred for the purchase of physical assets;
- costs of project build, installation and construction;
- costs of project commissioning;
- Non reclaimable VAT for eligible capital costs;
- Staff costs where staff members are contracted to work 100% on the capital Project.

Value: up to £10 million capital which must be match funded by the project. The financial support represents a funding contribution of up to £10 million per project, where the contribution represents a maximum of 50% of total project capital cost.

Type of Funds: Repayable Assistance.

Enabling Support: projects may be considered for enabling support up to £100,000 per project as contribution towards consultancy costs and project management costs.

Expression of Interest Deadline: 30 April 2018

An invitation to submit a Full Application for Capital Support will be issued to successful projects following the completion of the Expression of Interest assessment process. A detailed business case, full financial model, heads of terms to confirm match funding, and legal agreements to support energy end use will be required with the full application.

Final Capital Application Deadline: 15 August 2018

Timescale: projects must be commissioned by 30 September 2021.

Interested projects are invited to submit an Expression of Interest for Capital Support for assessment which covers the key eligibility criteria. In addition, copies of the following documents should also be submitted with the EoI Form at the time of submission:

- Previous feasibility, design work or proof of concept work that relate to the project;
- Documentation evidencing the project partnership;
- Documentation relating to the confirmation of project site location;
- A detailed delivery programme for anticipated activity;

- A risk register identifying the high level risks to delivery of the programme; and
- Any additional information available that supports the project proposal.

Only projects that meet all the eligibility criteria for this financial support as detailed above will be considered.

It is important to note that funding contribution intervention levels will be reviewed in relation to previous public support offered to the applicant or project type to support the Programmes intention to support the low carbon transition to a commercial position.

Capital applications that are considered not ready for financial support for immediate delivery may be offered development support as set out at Stage 1 above.

Timeline for Capital Support

In order to support the process of fair and open competition the key process dates are set out below and are applicable to all applicants.

Publication of Invitation	January 2018
Workshops	February to March 2018
Deadline for receipt of Expressions of Interest for Capital Support	30 April 2018
Notification of result	Within six weeks of submission
Deadline for receipt of final Capital Application	15 August 2018
Completion of Independent Due Diligence	30 November 2018
Award	December 2018
Project Operational	30 September 2021

Application Forms for Development Support and Expression of Interest Forms for Capital Support must be completed and submitted to lcitp@gov.scot no later than **17:00 on 30 April 2018**. No exception to submission dates can be negotiated.

Applicants will be advised on outcomes within 6 weeks of the closing date.

Evaluation Criteria

The LCITP Assessment Panel, including external technical advisers where appropriate, will assess and evaluate all Development Applications and Expressions of Interest (Eol) received against the eligibility criteria listed above. The sections of the Eol form where a ✓ is highlighted in the Assessed column on the right hand side indicates where an assessment and will be given.

Independent Technical and Financial experts may be appointed to support the evaluation process as appropriate. Potential conflicts of interests will be fully explored before appointment confirmed.

Quality of evidence provided	Scoring Methodology for Quality Criteria
Unacceptable	Inadequate response. Fails to demonstrate an ability to meet the requirement.
Poor	Response is generally poor. The response addresses some elements of the requirement but contains insufficient/limited detail or explanation to demonstrate how the requirement will be fulfilled.
Satisfactory	Response is relevant and acceptable. The response addresses a broad understanding of the requirement but may lack details on how the requirement will be fulfilled in certain areas.
Good	Response is relevant and good. The response is sufficiently detailed to demonstrate a good understanding and provides details on how the requirements will be fulfilled.
Excellent	Response is completely relevant and excellent overall. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirement and provides details of how the requirement will be met in full.

Feedback will be provided to all applicants and an **appeal process** can be started whereby indication of an appeal is received in writing within 7 days from written receipt of outcome.

LCITP reserve the right to recommend alternative, more appropriate, sources of public funding support to projects as part of this feedback.