

## Saltire Tidal Energy Challenge Fund: questions and answers

### **If support available through the fund is limited to capital costs, what do Scottish Government classify as capital expenditure?**

Eligible capital costs through the Saltire Tidal Energy Challenge Fund are:

- financial costs incurred for the purchase of physical assets
- costs of Project build, installation and construction
- costs of Project deployment and commissioning
- non-reclaimable VAT for eligible capital costs
- pre-approved staff costs where staff members are contracted to work 100% on the capital Project

The Saltire Tidal Energy Challenge Fund will only fund actual costs of successful projects, evidenced by invoices.

The eligible costs exclude:

- any Value Added Tax (VAT) reclaimable by the Grantee
- any non-essential subsistence costs – please note that no meals allowance is provided under the conditions of this letter
- costs incurred prior to the formal acceptance of an Offer of Grant by the Grantee
- costs for work undertaken after the contractual end of the project
- staff costs where staff members are not contracted to work 100% on activities funded by the Saltire Tidal Energy Challenge Fund capital support
- notional costs and in-kind contributions
- interest and service charges arising from hire purchase, leasing or credit arrangements
- advertising, marketing and entertaining
- profit earned by a subsidiary or related enterprise or person(s) in providing materials
- sub-contracting, consultancy or trials/testing
- directors' dividends
- certification fees
- inflation and contingency allowances
- costs of printing operating, service and maintenance manuals
- costs of licensing in background intellectual property when the intellectual property is being licensed from a subsidiary or related enterprise or person(s)
- training costs related to sales or distribution of the developed product, process or service
- the purchase of land and buildings
- recruitment and relocation costs
- costs associated with purchase fees for necessary licenses
- consultancy and legal fees
- statutory activities including Grants In Aid (GIAs), consents and planning activities and preparation of documents and surveys as part of a statutory activity
- grid connection costs

- hire or rental costs
  - retainer fees
  - insurance costs
  - contingency funds
  - office equipment and furniture
  - PPE and safety equipment
  - other expenses beyond those outlined in the eligible cost section above
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### **Can the project be delivered beyond the March 2020 deadline?**

Based on feedback we've received from stakeholders since the launch of the fund, we understand the March 2020 deadline will be challenging. We are eager to be as flexible as possible to facilitate the success of projects and as such we have updated the Essential Criteria 3. as follows:

*"The proposal must relate to a project to be deployed in Scottish waters no later than September 2020 and be deliverable within clearly defined and manageable timelines. All eligible funding for successful projects must relate to 2019/20 activity/spend with supporting documentation/invoices submitted not later than 31st March 2020. Scottish Government reserves the right to retain a proportion of funding until completion of the project. A milestone schedule will be discussed and agreed with successful applicants."*

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### **Does collaboration have to be with a European partner for state aid uplift?**

Article 25 of the General Block Exemption Regulations for state aid to research and development projects allows for a 15 percentage point uplift for projects that fulfil one of the following conditions:

(i) the project involves effective collaboration:

— between undertakings among which at least one is an SME, or is carried out in at least two Member States, or in a Member State and in a Contracting Party of the EEA Agreement, and no single undertaking bears more than 70 % of the eligible costs, or

— between an undertaking and one or more research and knowledge-dissemination organisations, where the latter bear at least 10% of the eligible costs and have the right to publish their own research results;

(ii) the results of the project are widely disseminated through conferences, publication, open access repositories, or free or open source software.

No commitment or guidance can be given to the applicable state aid intensity of projects ahead of an application. The applicable maximum state aid intensity will be discussed with successful applicants and may be subject to legal advice.

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### **What state aid bonus/top ups can be applied?**

No commitment or guidance can be given to the applicable state aid intensity of projects ahead of an application. The applicable maximum state aid intensity will be discussed with successful applicants and may be subject to legal advice.

Indicative information can be found on the [Scottish Government webpages](#).

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#### **If partners are involved, does state aid apply to the claimant only?**

A lead partner should be identified in the application form and details should be provided for any other direct financial beneficiaries of the funding beyond the lead partner. No commitment or guidance can be given to the applicable state aid intensity of projects ahead of an application. The applicable maximum state aid intensity will be discussed with successful applicants and may be subject to legal advice.

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#### **Does funding from other states/EU count towards state aid rules?**

Where state aid is present, if an undertaking receives state aid from more than one source towards the same eligible costs, the total amount of state aid must be cumulated and remain within the relevant aid intensity ceiling. This rule applies to all sources of state aid, and also European Structural Funds if involved in the project.

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#### **How are projects expected to evidence eligible costs incurred by the project and how will this work alongside any other grant funding support that the project is receiving?**

Applications must clearly demonstrate the costs to which the application relates. This is a responsibility on the applicant. Applications must clearly show any additional funding associated with the project, showing a clear separation where costs are supported from multiple sources. Other Scottish public sector grant funding will not count towards matching funding from this fund.

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#### **What are the drawdown rules?**

Applicants must provide a programme plan as part of their application. A schedule of payments will be agreed with successful projects which will be set out against specific delivery milestones. Funding will only be released upon satisfactory completion of delivery milestones.

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#### **Can retrospective costs be issued?**

No, costs incurred prior to the formal acceptance of an offer of grant by the grantee will be not be eligible.

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#### **What evidence of match funding would be required?**

Applicants should provide as much detailed and robust evidence as possible. We appreciate that applicants may not have finalised full financing of the project at the point of application. Wherever

possible applicants should provide heads of terms, MOU etc. Further information may be requested as the application progresses.

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### **Can projects relating to component parts for tidal energy devices apply?**

Innovations relating to component parts are eligible to apply for the fund, however they must relate to the deployment as part of a full tidal energy device by the revised September 2020 deadline.

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### **Do projects need to be operationally deployed and grid connected by the deployment deadline?**

Projects must be deployed and generating electricity by the revised, September 2020 deadline. Projects must generate electricity for a useful purpose, however this is not limited to grid connection. We recognise that there may be other opportunities to deploy devices off-grid and this should be detailed in applications.

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### **What TRL level is required to apply?**

We have not set a TRL level, however this is not an early stage R&D fund and we will only support projects that relate to devices with a history of operational deployment. Applications should provide evidence to demonstrate the technical viability and performance of the tidal device to which the application relates. This should provide evidence of previous operational deployment of the tidal device and appropriate technical performance data.

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### **Is there any scope for extending the deployment deadline and will funding be clawed back for projects that do not meet this deadline?**

Applications should include a detailed programme plan and we have reserved the right to reject applications that have an unrealistic timeline. The specific award and drawdown criteria will be agreed with successful applicants as part of an Offer of Grant agreement. Any project that appears unlikely to meet the revised September 2020 deadline should notify the Scottish Government as soon as possible. The process for recovery of any public funds will be considered on a case by case basis against the terms of the grant.

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### **What are timescales for processing applications?**

The assessment will be completed as quickly as possible however we are not in a position to provide a definite timescale. The application process will be managed by Wave Energy Scotland who have considerable experience application assessment. The better quality the application the quicker that the decision can be made. Any additional information which could assist with the assessment should be provided along with the application form and any claims made in the application should be supported by evidence.

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**Will an auditor's report be required?**

No

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**Can an organisation submit multiple applications?**

Applications are restricted to one per organisation, including applications as part of any group or consortium.

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**Can a project re-apply after initial rejection and feedback?**

Yes, if changes material changes have been made in line with the feedback provided

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**What financial due diligence will be carried out on projects?**

Where necessary, financial due diligence will be carried out by an external partner and contract is in place for this.

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**Will it be publicised when awards have been made and what funds are still available?**

Yes, any funding awarded will be announced.

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**Is there a minimum capacity rating for devices to apply to the fund?**

There is no minimum capacity rating for devices.

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**Are RTOs or Universities are eligible for 100% funding through this fund?**

Where an RTO is engaged in economic activity, it is bound by the rules and intensities set out under paragraph 25 of the GBER regulations. To be out with the scope of paragraph 25, the RTO would have to demonstrate that:

1. the RTO was NOT engaged in economic activity AND
2. the RTO was not contributing to the eligible costs described under the relevant GBER articles of this scheme

Where the RTO is engaged in activities covered by the eligible costs in the GBER, this would have to be cumulated, meaning that total funding could not exceed the maximum aid intensity of overall project costs. The RTO could still be funded 100% in this case, but this would have to be balanced by reducing the funding available to other partners, so that the overall aid intensity (for the project as a whole) was not breached.

Above all, as stated in the online guidance notes, all projects supported through the fund must be match funded.

No commitment can be made to the applicable state aid intensity of projects ahead of an application. The applicable maximum state aid intensity will be discussed with successful applicants and may be subject to further legal advice.

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**Does European Funding count as state aid?**

No commitment or guidance can be given to the applicable state aid intensity of projects ahead of an application. The applicable maximum state aid intensity will be discussed with successful applicants and may be subject to legal advice. Any funding awarded directly from the European Commission, providing that the Member State has had no hand in the direction or award of funding, will not be considered State Aid. European Funding where the Member State has played a role in the direction or award of funding will be considered state aid.

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**Can funding provided in advance of need?**

All drawdown of funding will be made in arrears upon completion of expenditure and the provision of appropriate evidence.