Innovation Fund (INNOVFUND)

Auction call for proposals

Innovation Fund fixed premium auction call 2025 for Industrial Process Heat Decarbonisation
(INNOVFUND-2025-AUC-HEAT)

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EUROPEAN CLIMATE, INFRASTRUCTURE AND ENVIRONMENT EXECUTIVE AGENCY (CINEA)

CINEA.C – Green Research and Innovation
CINEA.C.04 – Innovation Fund

AUCTION CALL FOR PROPOSALS

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0. Introduction

This is an auction call for proposals for EU **action grants** under the **Innovation Fund**.

The regulatory framework for this EU Funding Programme is set out in:

- Regulation 2024/2509 (EU Financial Regulation)[1]

[1] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast) ('EU Financial Regulation') (OJ L, 2024/2509, 26.9.2024).

- the basic act (Innovation Fund Regulation 2019/856[2] and ETS Directive 2003/87[3]).

The call is launched in accordance with the 2025 Financing Decision[4] and will be managed by the **European Climate, Infrastructure and Environment Executive Agency (CINEA)** ('Agency').

The call covers the following **topics**:

- **INNOVFUND-2025-AUC-HEAT-MEDTEMP-BELOW5MW — Fixed Premium Auction for Industrial Process Heat Decarbonisation — Medium Temperature Heat — 3 to 5 MW**
- **INNOVFUND-2025-AUC-HEAT-MEDTEMP-ABOVE5MW — Fixed Premium Auction for Industrial Process Heat Decarbonisation — Medium Temperature Heat — Above 5 MW**
- **INNOVFUND-2025-AUC-HEAT-HIGHTEMP — Fixed Premium Auction for Industrial Process Heat Decarbonisation — High Temperature Heat**

Each project application under the call must address only one of these topics.

⚠ This call is an auction call, i.e. a call that is awarded based on a competitive bidding procedure on price and therefore subject to specific conditions *(e.g. fair bid conditions, completion guarantee, etc)*.

We invite you to read the **call documentation** carefully, and in particular this Call document, the Model Grant Agreement, the EU Funding & Tenders Portal Online Manual and the EU Grants AGA — Annotated Grant Agreement.

These documents provide clarifications and answers to questions you may have when preparing your application:

- the Call document outlines the:
  - background, objectives, scope, activities that can be funded and the expected results (sections 1 and 2)
  - timetable and available budget (sections 3 and 4)
  - admissibility and eligibility conditions (including mandatory documents; sections 5 and 6)
  - criteria for financial and operational capacity and exclusion (section 7)
  - evaluation and award procedure (section 8)
  - award criteria (section 9)
  - legal and financial set-up of the Grant Agreements (section 10)

[2] Commission Delegated Regulation (EU) 2019/856 of 26 February 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund (OJ L 140 28.5.2019, p. 6).

[3] Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (ETS Directive) (OJ L 275, 25.10.2003, p. 32).

[4] Commission DecisionC(2025) 7674 final of 19 November 2025 on the financing of actions under the Innovation Fund, serving as a financing decision for 2025-2031 and a decision launching calls for proposals in 2025..

  - how to submit an application (section 11)

- the Online Manual outlines the:
  - procedures to register and submit proposals online via the EU Funding & Tenders Portal ('Portal')
  - recommendations for the preparation of the application
- the AGA — Annotated Grant Agreement contains:
  - detailed annotations on all the provisions in the Grant Agreement you will have to sign in order to obtain the grant *(including cost eligibility, payment schedule, accessory obligations, etc)*.

You are also encouraged to visit the European Commission website to consult the list of projects funded previously.

1. Background

The Innovation Fund is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies.

The Innovation Fund provides grants for projects aiming at commercial deployment of innovative low-carbon technologies, with the objective of bringing to market industrial lead solutions to decarbonise Europe and supporting its transition to climate neutrality.

So far, the Innovation Fund support has been mostly provided to projects in the form of lump sum grants awarded following calls for proposals on the basis of Chapter II of the Innovation Fund Regulation. In these grants, the Innovation Fund support is disbursed partly before a project's entry into operation and partly upon reaching defined milestones. From 2024 onwards, Innovation Fund support is also awarded via auctions on the basis of Chapter IIb of the Innovation Fund Regulation and disbursed only as of the projects' entry into operation – in the form of unit contributions.

Auction calls for proposals are economically more efficient for projects aimed to move from commercial demonstration to scale-up of technologies. The auction call for proposals therefore contributes to the objectives of the revised ETS Directive 2003/87[5]. The revised ETS Directive enables the use of competitive bidding to award support from Innovation Fund and to cover up to 100% of relevant cost.

The key advantages of using auctions for technologies that are moving towards scale-up and market roll-out are:

1. cost-efficient support through using a market-based instrument (auctions)
2. technology and project development risks are tackled by the project promoter, who is in best place to address them, while grant payments are based only on delivered volumes of the supported good, i.e. no payments before entry into operation
3. price discovery and market formation
4. reduced administrative burden.

Building on the successful EU-wide auction calls for RFNBO hydrogen production, this auction call for proposals, focusing on the decarbonisation of industrial process heat,

[5] Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (ETS Directive) (OJ L 275, 25.10.2003, p. 32).

was announced in the Clean Industrial Deal Communication[6] in February 2025 as a pilot for a new Industrial Decarbonisation Bank.

The present auction call focusses on industrial process heat because of the large and cost-effective decarbonization potential in this area: Process heating[7] is the single largest energy use in the European industrial sector, accounting for 47% of industrial energy demand and approximately three quarters of the CO2 emissions generated directly by industry in 2018.[8]

The status quo of industrial process heating is predominantly based on fossil fuels consumption. Electrified technologies are increasingly available for various temperature levels and applications but support from the Innovation Fund is needed, as most electrified heat projects face a cost gap between their costs of production and current market prices shaped by fossil-based alternatives.[9]

Due to lacking economic viability, industry demand for electrified industrial process heat solutions has stagnated at approximately 4% of total energy demand for process heat in the EU in recent years.[10] This indicates that fossil-based technologies remain the base case even for investments made today, despite their risk of becoming stranded assets with rising CO2 prices, given long asset lifetimes. In this setting, support through the Innovation Fund will help scale-up innovative electrified process heat technologies in industry. The same logic applies to the use of direct renewable heat solutions (geothermal and solar thermal heat) in industry.

Projects to be funded by the present Innovation Fund call are expected to contribute to the key objectives of the EU's climate and energy policy:

- transition to a climate-neutral economy by 2050 and the target to reduce emissions by at least 55% by 2030 as defined in the European Climate Law Regulation 2021/1119[11] and the European Green Deal[12].
- reducing dependence on fossil fuel imports by switching industrial demand away from such fuels towards EU-sourced energy while ensuring energy efficiency gains;
- reinforcing energy affordability by reducing the cost of technologies for the electrification of industrial process heat;
- decarbonising the EU's industrial energy demand while reinforcing its global competitiveness based on innovative technological solutions.

Lastly, the present auction call design aims to disincentivise consumption behaviour of electrified heat solutions that lead to higher emissions from electricity generation and

6 COM(2025) 85 final

7 Industrial process heat refers to the many methods by which heat is used to transform materials into useful products. E.g. heat is used to remove moisture, enable chemical reactions, create steam, treat metals, melt plastics, glass etc.

8 Fraunhofer ISI (2024): Direct electrification of industrial process heat. An assessment of technologies, potentials and future prospects for the EU. Study on behalf of Agora Industry, https://www.agora-industry.org/fileadmin/Projects/2023/2023-20_IND_Electrification_Industrial_Heat/A-IND_329_04_Electrification_Industrial_Heat_WEB.pdf

9 See figure 7 (based on data for Germany) in Fraunhofer ISI (2024): CO2-neutral process heat using electrification and hydrogen https://www.isi.fraunhofer.de/content/dam/isi/dokumente/policy-briefs/24-07_policy_brief_process-heat_co2-neutral_%20electrification_hydrogen.pdf

10 https://www.agora-industry.org/fileadmin/Projects/2023/2023-20_IND_Electrification_Industrial_Heat/A-IND_329_04_Electrification_Industrial_Heat_WEB.pdf

11 Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law').

12 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on A Green Deal Industrial Plan for the Net-Zero Age (COM(2023) 62 final).

increased system costs. Investments in electric and thermal storage, flexible ramping and other flexibility solutions are encouraged and can be priced into the bids.

In addition, Article 10f of the EU ETS Directive 2003/87 provides that from 1 January 2025, economic activities, for which technical screening criteria have been established[13], shall be funded by the Innovation Fund in accordance with the 'do no significant harm' (DNSH) criteria set out in Article 17 of Regulation (EU) 2020/852 ('EU Taxonomy Regulation').

2. Objectives — Themes and priorities — Activities that can be funded — Expected impact

INNOVFUND-2025-AUC-HEAT-MEDTEMP-BELOW5MW — Fixed Premium Auction for Industrial Process Heat Decarbonisation — Medium Temperature Heat — 3 to 5 MW

Objectives

The objective of this topic is to reduce direct GHG emissions in industry by cost-effectively supporting the market uptake of electrified and direct-renewable industrial process heat for medium temperature heat and small capacity installations.

Activities that can be funded (scope)

The following activities can be funded under this topic:

Production of industrial process heat between 100 °C and 400 °C, and resulting in (automatically calculated) GHG abatement by:

- Projects electrifying industrial process heat via technologies such as heat pumps[14], direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating; or
- Projects using direct-renewable (solar thermal or geothermal) heat for industrial heat processes[15]; or
- Hybrid projects of the above-mentioned technologies.

Electrified or direct-renewable process heat production capacity needs to be new, i.e. at the time of the grant applications start of works[16] must not have yet taken place.

Projects must have a minimum installed capacity of equal or higher than 3 MW_{th} and lower than 5MW_{th}. The newly installed capacity must be in a single location; virtual pooling of capacity is not permitted.

Heat volumes and temperature levels – measurement and definitions

The heat volumes and temperature levels shall be monitored, reported and verified by an independent third party, following the provisions indicated hereafter. All proposed technologies are required to follow one of the two approaches as specified below.

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13 Pursuant to Article 10(3), point (b), of the EU Taxonomy Regulation, technical Screening criteria have been established to determine whether specific economic activities causes significant harm to one or more of the relevant environmental objectives.

14 The 'heat pump' category covers heat pumps using environmental heat, waste heat or other sources as source of the heat, mechanical vapour recompression (MVR) and thermochemical heat transformers. Heat pumps can use environmental heat or excess waste heat from industrial processes. A direct application of fossil fuels to preheat the source of heat for heat pumps makes a project ineligible.

15 Proposals that electrify or deploy direct-renewable heat only partly and alongside existing heat production unit using fossil fuels are also eligible. For avoidance of doubt, heat that is produced from fossil fuels will not be eligible for support.

16 For a definition of start of works, please see the Glossary.

⚠ The produced process heat must be monitored and measured with an EMAS or ISO50001 compliant management system[17]. Meters such as heat flow meters and thermometers need to be calibrated accordingly.

There are two possible measurement approaches:

- Direct measurement of process heat or
- Indirect measurement of process heat.

Approach 1: Direct measurement of process heat

- If the heat production volume can be measured directly by monitoring a heat flow, projects are required to do so. All applications of heat pumps[18], and direct-renewable heat technologies are required to follow this approach.

  The heat flow must be measured by a heat meter in a heat transfer medium such as steam, hot air, water, oil, liquid metals or salts, transported through identifiable pipelines or ducts.

- The temperature level of the process heat must be determined by a temperature measurement of the heat transfer medium after it has passed the supported source of heat increasing the temperature of the heat transfer medium, such as the heat exchanger of the heat pump. The temperature level needs to be monitored simultaneously with or as part of the measurement of the heat flow.

  ⚠ Process heat production of one reporting cycle can be funded only if the weighted average temperature lies within the limits set out in the topic requirements. To calculate the weighted average temperature, the average temperature of every hour is multiplied with the average heat flow of every hour. The sum of products of all hours is divided by the total heat flow in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.

Approach 2: Indirect measurement of process heat

- If heat flow cannot be measured directly, projects must determine heat production based on the electricity consumption of the supported heat production unit. All applications of resistance heating (e.g. furnaces, boilers), electromagnetic and dielectric heating (e.g. melters, ovens), shockwave heating and plasma heating are required to follow this approach.

  The process heat production must be determined by multiplying the hourly average electricity consumption by 95% for electric boilers and 100% for all other applications[19]. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.

- The temperature level of the process heat must be measured with an adequate measurement approach. Thermometers already used for process monitoring and process control can be used. The temperature level needs to be monitored simultaneously with the electricity consumption.

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17 Applicants may use a different monitoring and measurement system, as long as it aligns with the principles and requirements outlined in ISO 50001. In such cases, applicants must be prepared to provide documentation and evidence to the granting authorities, upon request, to demonstrate that their system meets the equivalent standards of ISO 50001.

18 Including mechanical vapor recompression and thermochemical heat transformers.

19 I.e. assuming standard efficiencies.

⚠ Process heat production for each reporting period can be funded only if the average temperature of all such measurements lies within the limits set out in the topic requirements.

INNOVFUND-2025-AUC-HEAT-MEDTEMP-ABOVE5MW — Fixed Premium Auction for Industrial Process Heat Decarbonisation — Medium Temperature Heat — Above 5 MW

Objectives

The objective of this topic is to reduce direct GHG emissions in industry by cost-effectively supporting the market uptake of electrified and direct-renewable industrial process heat for medium temperature heat and large capacity installations.

Activities that can be funded (scope)

The following activities can be funded under this topic:

Production of industrial process heat between 100 °C and 400 °C and resulting in (automatically calculated) GHG abatement by:

- Projects electrifying industrial process heat via technologies such as heat pumps[20], direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating; or
- Projects using direct-renewable (solar thermal or geothermal) heat for industrial heat processes[21]; or
- Hybrid projects of the above-mentioned technologies.

Electrified or direct-renewable process heat production capacity needs to be new, i.e. at the time of the grant applications start of works[22] must not have yet taken place.

Projects must have a minimum installed capacity equal or higher than 5 MW_{th}. The newly installed capacity must be in a single location; virtual pooling of capacity is not permitted.

Heat volumes and temperature levels – measurement and definitions

The heat volumes and temperature levels shall be monitored, reported and verified by an independent third party, following the provisions indicated hereafter. All proposed technologies are required to follow one of the two approaches as specified below.

⚠ The produced process heat must be monitored and measured with an EMAS or ISO50001 compliant management system[23]. Meters such as heat flow meters and thermometers need to be calibrated accordingly.

There are two possible measurement approaches:

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20 The 'heat pump' category covers heat pumps using environmental heat, waste heat or other sources as source of the heat, mechanical vapour recompression (MVR) and thermochemical heat transformers. Heat pumps can use environmental heat or excess waste heat from industrial processes. A direct application of fossil fuels to preheat the source of heat for heat pumps makes a project ineligible.

21 Proposals that electrify or deploy direct-renewable heat only partly and alongside existing heat production unit using fossil fuels are also eligible. For avoidance of doubt, heat that is produced from fossil fuels will not be eligible for support.

22 For a definition of start of works, please see the Glossary.

23 Applicants may use a different monitoring and measurement system, as long as it aligns with the principles and requirements outlined in ISO 50001. In such cases, applicants must be prepared to provide documentation and evidence to the granting authorities, upon request, to demonstrate that their system meets the equivalent standards of ISO 50001.

- Direct measurement of process heat or
- Indirect measurement of process heat.

Approach 1: Direct measurement of process heat

- If the heat production volume can be measured directly by monitoring a heat flow, projects are required to do so. All applications of heat pumps[24], and direct-renewable heat technologies are required to follow this approach.

  The heat flow must be measured by a heat meter in a heat transfer medium such as steam, hot air, water, oil, liquid metals or salts, transported through identifiable pipelines or ducts.

- The temperature level of the process heat must be determined by a temperature measurement of the heat transfer medium after it has passed the supported source of heat increasing the temperature of the heat transfer medium, such as the heat exchanger of the heat pump. The temperature level needs to be monitored simultaneously with or as part of the measurement of the heat flow.

  ⚠ Process heat production of one reporting cycle can be funded only if the weighted average temperature lies within the limits set out in the topic requirements. To calculate the weighted average temperature, the average temperature of every hour is multiplied with the average heat flow of every hour. The sum of products of all hours is divided by the total heat flow in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.

Approach 2: Indirect measurement of process heat

- If heat flow cannot be measured directly, projects must determine heat production based on the electricity consumption of the supported heat production unit. All applications of resistance heating (e.g. furnaces, boilers), electromagnetic and dielectric heating (e.g. melters, ovens), shockwave heating and plasma heating are required to follow this approach.

  The process heat production must be determined by multiplying the hourly average electricity consumption by 95% for electric boilers and 100% for all other applications[25]. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.

- The temperature level of the process heat must be measured with an adequate measurement approach. Thermometers already used for process monitoring and process control can be used. The temperature level needs to be monitored simultaneously with the electricity consumption.

  ⚠ Process heat production for each reporting period can be funded only if the average temperature of all such measurements lies within the limits set out in the topic requirements.

INNOVFUND-2025-AUC-HEAT-HIGHTEMP — Fixed Premium Auction for Industrial Process Heat Decarbonisation — High Temperature Heat

Objectives

[24] Including mechanical vapor recompression and thermochemical heat transformers.
[25] I.e. assuming standard efficiencies.

The objective of this topic is to reduce direct GHG emissions in industry by cost-effectively supporting the market uptake of electrified and direct-renewable industrial process heat for high temperature heat.

Activities that can be funded (scope)

The following activities can be funded under this topic:

Production of industrial process heat above 400 °C and resulting in (automatically calculated) GHG abatement by:

- Projects electrifying industrial process heat via technologies such as heat pumps[26], direct and indirect resistance heating, electromagnetic and dielectric heating, plasma heating; or
- Projects using direct-renewable (solar thermal or geothermal) heat for industrial heat processes[27]; or
- Hybrid projects of the above-mentioned technologies.

Electrified or direct-renewable process heat production capacity needs to be new, i.e. at the time of the grant applications start of works[28] must not have yet take place.

Projects must have a minimum installed capacity equal or higher than 3 MW_{th}. The newly installed capacity must be in a single location; virtual pooling of capacity is not permitted.

Heat volumes and temperature levels – measurement and definitions

The heat volumes and temperature levels shall be monitored, reported and verified by an independent third party, following the provisions indicated hereafter. All proposed technologies are required to follow one of the two approaches as specified below.

The produced process heat must be monitored and measured with an EMAS or ISO50001 compliant management system[29]. Meters such as heat flow meters and thermometers need to be calibrated accordingly.

There are two possible measurement approaches:

- Direct measurement of process heat or
- Indirect measurement of process heat.

Approach 1: Direct measurement of process heat

- If the heat production volume can be measured directly by monitoring a heat flow, projects are required to do so. All applications of heat pumps[30], and direct-renewable heat technologies are required to follow this approach.

[26] The 'heat pump' category covers heat pumps using environmental heat, waste heat or other sources as source of the heat, mechanical vapour recompression (MVR) and thermochemical heat transformers. Heat pumps can use environmental heat or excess waste heat from industrial processes. A direct application of fossil fuels to preheat the source of heat for heat pumps makes a project ineligible.

[27] Proposals that electrify or deploy direct-renewable heat only partly and alongside existing heat production unit using fossil fuels are also eligible. For avoidance of doubt, heat that is produced from fossil fuels will not be eligible for support.

[28] For a definition of start of works, please see the Glossary.

[29] Applicants may use a different monitoring and measurement system, as long as it aligns with the principles and requirements outlined in ISO 50001. In such cases, applicants must be prepared to provide documentation and evidence to the granting authorities, upon request, to demonstrate that their system meets the equivalent standards of ISO 50001.

[30] Including mechanical vapor recompression and thermochemical heat transformers.

The heat flow must be measured by a heat meter in a heat transfer medium such as steam, hot air, water, oil, liquid metals or salts, transported through identifiable pipelines or ducts.

- The temperature level of the process heat must be determined by a temperature measurement of the heat transfer medium after it has passed the supported source of heat increasing the temperature of the heat transfer medium, such as the heat exchanger of the heat pump. The temperature level needs to be monitored simultaneously with or as part of the measurement of the heat flow.

  ⚠ Process heat production of one reporting cycle can be funded only if the weighted average temperature lies within the limits set out in the topic requirements. To calculate the weighted average temperature, the average temperature of every hour is multiplied with the average heat flow of every hour. The sum of products of all hours is divided by the total heat flow in the monitoring period. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.

Approach 2: Indirect measurement of process heat

- If heat flow cannot be measured directly, projects must determine heat production based on the electricity consumption of the supported heat production unit. All applications of resistance heating (e.g. furnaces, boilers), electromagnetic and dielectric heating (e.g. melters, ovens), shockwave heating and plasma heating are required to follow this approach.

  The process heat production must be determined by multiplying the hourly average electricity consumption by 95% for electric boilers and 100% for all other applications[31]. Subject to the data processing system, hourly values may be substituted by other time intervals, as appropriate.

- The temperature level of the process heat must be measured with an adequate measurement approach. Thermometers already used for process monitoring and process control can be used. The temperature level needs to be monitored simultaneously with the electricity consumption.

  ⚠ Process heat production for each reporting period can be funded only if the average temperature of all such measurements lies within the limits set out in the topic requirements.

3. Available budget

The available call budget is **EUR 1 000 000 000**.

Specific budget information per topic can be found in the table below:

Topic	Topic budget
INNOVFUND-2025-AUC-HEAT-MEDTEMP-BELOW5MW	**EUR 150 000 000**
INNOVFUND-2025-AUC-HEAT-MEDTEMP-ABOVE5MW	**EUR 350 000 000**

[31] I.e. assuming standard efficiencies.

INNOVFUND-2025-AUC-HEAT-HIGHTEMP	**EUR 500 000 000**

We reserve the right to cancel the call or specific topics, for example in case of severe under-subscription (2 or less proposals received for a topic) or not to award all available funds or to redistribute them between the call topics, depending on the proposals received and the results of the evaluation.

National funding windows ('auctions as a service')

This Innovation Fund auction is complemented by national funding windows through auctions as a service. Projects that pass the evaluation for the Innovation Fund auction grant but cannot be funded because they exceed the budget ceiling, may benefit from national funding, if the project is located in a country benefitting from a national funding window, if it complies with Member State specific funding conditions and if it has consented to be considered for national funding *(see section 8)*.

For the present call, the following countries have opened auctions as a service funding windows (pending EU state aid decision adoption):

Topic	Countries	Topic budget
INNOVFUND-2025-AUC-HEAT-MEDTEMP-BELOW5MW	Spain	EUR 30,000,000
INNOVFUND-2025-AUC-HEAT-MEDTEMP-ABOVE5MW	Spain	EUR 20,000,000

For more information about auctions as a service funding windows and Member State specific conditions, *see here*.

4. Timetable and deadlines

Timetable and deadlines (indicative)	
Call opening:	3 December 2025
Deadline for submission:	19 February 2026 – 17:00:00 CET (Brussels)
Evaluation:	March-May 2026
Information on evaluation results:	May-June 2026
GA signature:	September 2026-November 2026

5. Admissibility and documents

Proposals must be submitted before the **call deadline** *(see timetable section 4)*.

Proposals must be submitted **electronically** via the Funding & Tenders Portal Electronic Submission System (accessible via the Topic page in the Calls for proposals section). Paper submissions are NOT possible.

Proposals (including annexes and supporting documents) must be submitted using the forms provided *inside* the Submission System (⚠ NOT the documents available on the Topic page — they are only for information).

Proposals must be **complete** and contain all the requested information and all required annexes and supporting documents:

- Application Form Part A — contains administrative information about the participants (future coordinator, beneficiaries and affiliated entities) and the summarised budget for the project *(to be filled in directly online)*
- Application Form Part B — contains the technical description of the project *(template to be downloaded from the Portal Submission System, completed, assembled and re-uploaded)*
- Part C — contains additional project data and the project's contribution to EU programme key performance indicators *(to be filled in directly online)*
- **mandatory annexes** *(templates to be downloaded from the Portal Submission System, completed, assembled and re-uploaded)*
    - detailed budget table/calculator ('financial information file' with the bid) *(see template)*
    - participant information (including CVs and previous projects, if any) *(see template)*
    - timetable/Gantt chart *(see template)*
    - feasibility study *(see template)*
    - sourcing strategy – electricity sourcing supporting evidence *(see Annex 2)*
    - off-take strategy – heat off-take supporting evidence (*see Annex 2)*
    - procurement strategy – equipment procurement supporting evidence *(see Annex 2)*
    - support to project - equity supporting evidence*(see Annex 2)*
    - permits, licences, authorisations, etc:
        - strategy to receive an environmental permit(s) and other relevant permits *(see Annex 2)*
        - evidence of initiated process with the relevant national authority to receive a grid connection (only for projects planning to procure electricity from the grid) *(see Annex 2)*
    - completion guarantee letter of intent *(at proposal submission, for all projects)* and completion guarantee *(during GAP, for projects invited to grant preparation)* *(see templates)*
    - extended Part C form (for statistical data collection) *(see template)*
    - other annexes - only for projects choosing to deviate from the default ETS heat benchmark (see section 6): proof of the to-be-replaced fossil fuel-fired heat production unit

At proposal submission, you will have to confirm that you have the mandate to act for all applicants. Moreover, you will have to confirm that the information in the application

is correct and complete and that all participants comply with the conditions for receiving EU funding *(especially eligibility, financial and operational capacity, exclusion, etc)*. Before signing the grant, each beneficiary and affiliated entity will have to confirm this again by signing a declaration of honour (DoH). Proposals without full support will be rejected.

Your application must be **readable**, **accessible and printable** (please check carefully the layout of the documents uploaded).

Proposals are limited to maximum **50 pages** (Part B). Evaluators will not consider any additional pages. The feasibility study must not exceed 60 pages.

You may be asked at a later stage for further documents *(for legal entity validation, financial capacity check, bank account validation, etc)*.

Please be aware that, subject to your consent in the application form, the names of the project participants, their projects, their contact details, the amount of requested Innovation Fund support and, where relevant, envisaged dates of financial close and entry into operation may be shared with the Member States of the country(ies) where the project is located.

Moreover, in order to fulfil the call objective of price discovery and contribution to market formation the following information will be published:

- for successful projects: identified bid price, name of the project and coordinator, total volume of electrified/direct-renewable heat produced, total volume of carbon abatement to be achieved, nominal capacity of the electrified/direct-renewable heat production unit(s), product of the use of heat and sector where heat is applied and possible other information.
- for unsuccessful projects: anonymised bid price, total volume of electrified/direct-renewable heat produced and capacity, overview of statistics such as: total volume of carbon abatement to be achieved, products of the use of heat and sectors where heat is applied and possible other information where anonymisation is guaranteed.

For more information about the submission process (including IT aspects), consult the Online Manual.

6. Eligibility

Eligible participants (eligible countries)

In order to be eligible, the applicants (beneficiaries and affiliated entities) must:

- be legal entities (public or private bodies)
- be established in one of the eligible countries: any country in the world.

Beneficiaries and affiliated entities must register in the Participant Register — before submitting the proposal — and will have to be validated by the Central Validation Service (REA Validation). For the validation, they will be requested to upload documents showing legal status and origin.

Other entities may participate in other consortium roles, such as associated partners, subcontractors, third parties giving in-kind contributions, etc *(see section 13)*.

Specific cases and definitions

Natural persons — Natural persons are NOT eligible (with the exception of self-employed persons, i.e. sole traders, where the company does not have legal personality separate from that of the natural person).

International organisations — International organisations are eligible. The rules on eligible countries do not apply to them.

Entities without legal personality — Entities which do not have legal personality under their national law may exceptionally participate, provided that their representatives have the capacity to undertake legal obligations on their behalf, and offer guarantees for the protection of the EU financial interests equivalent to that offered by legal persons[32].

EU bodies — EU bodies (with the exception of the European Commission Joint Research Centre) can NOT be part of the consortium.

Associations and interest groupings — Entities composed of members may participate as 'sole beneficiaries' or 'beneficiaries without legal personality'[33]. Please note that if the action will be implemented by the members, they should also participate (either as beneficiaries or as affiliated entities, otherwise they cannot claim part of the grant).

EU restrictive measures — Special rules apply for entities subject to EU restrictive measures under Article 29 of the Treaty on the European Union (TEU) and Article 215 of the Treaty on the Functioning of the EU (TFEU)[34]. Such entities are not eligible to participate in any capacity, including as beneficiaries, affiliated entities, associated partners, subcontractors or recipients of financial support to third parties (if any).

EU conditionality measures — Special rules apply for entities subject to measures adopted on the basis of EU Regulation 2020/2092[35]. Such entities are not eligible to participate in any funded role (beneficiaries, affiliated entities, subcontractors, recipients of financial support to third parties, etc). Currently such measures are in place for Hungarian public interest trusts established under the Hungarian Act IX of 2021 or any entity they maintain (see Council Implementing Decision (EU) 2022/2506, as of 16 December 2022).

For more information, *see Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment*.

Consortium composition

n/a

Eligible activities

Applications will only be considered eligible if their content corresponds wholly (or at least in part) to the topic description for which they are submitted.

Eligible activities are the ones set out in section 2 above.

The following activities are not considered as eligible for funding under this call:

[32] See Article 200(2)(c) EU Financial Regulation 2024/2509.
[33] For the definitions, see Articles 190(2) and 200(2)(c) EU Financial Regulation 2024/2509.
[34] Please note that the EU Official Journal contains the official list and, in case of conflict, its content prevails over that of the EU Sanctions Map.
[35] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 325, 20.12.2022, p. 94).

- activities that do not comply with the 'do no significant harm' principle;
- heat production for space heating or sale to district heating;
- biomass or hydrogen use for industrial heat production;
- electrolysis processes (e.g. in the aluminium sector);
- electric arc furnaces for steel making;
- projects that involve the installation of new fossil fuel-fired capacity as part of the same installation as concerns the project[36].

Projects must comply with EU policy interests and priorities *(such as environment, social, security, industrial and trade policy, etc)*. Projects must also respect EU values and European Commission policy regarding reputational matters (*e.g. activities involving capacity building, policy support, awareness raising, communication, dissemination, etc*).

Financial support to third parties is not allowed.

Geographic location (target countries)

Projects must be located in EU Member States or EEA countries (i.e. Norway, Iceland or Liechtenstein).

Duration

The project must:

- reach financial close within 2 years after grant signature (maximum time to reach financial close);
- enter into operation within 4 years after grant signature (maximum time to entry into operation);
- operate for normally 5 years (maximum grant disbursement period).

Project duration (grant duration) normally ranges between 5 and 9 years, from grant signature to the final payment.

Project budget and bid price

Project budgets (requested grant amount) and applicant bid price must be calculated using the calculator provided in the 'financial information file', and comply with the following requirements:

Applicant bid price

Applicants will state: **(1) the subsidy requested per unit of produced heat** (expressed in EUR / MWh_{th})

A formula in the 'financial information file' will translate (1) into **(2) the bid price, i.e. the subsidy requested per tonne of CO2 abated** (expressed in EUR / tCO2) using

[36] Glass furnaces are exempt from this rule, as technical/safety barriers to full electrification exist. Other applications that show similar technical/safety restrictions need to provide evidence of such barriers as well as a transformation path from fossil-fuel to climate neutral fuel. For avoidance of doubt, heat that is produced from fossil fuels will not be eligible for support.

- by **default,** for projects that install a new heat production unit without decommissioning existing capacity: the phase 4 ETS heat benchmark

ETS heat benchmark	0.170 tCO2/MWh

or

- for projects that replace existing fossil fuel-powered assets: standard emission factors of fossil fuels being replaced as listed below, with an assumed conversion efficiency of 90%, provided that the corresponding fossil fuel-fired capacity is decommissioned at the same site (at the latest by the first year of operation).

Natural gas	0.202 tCO2/MWh
Hard coal	0.341 tCO2/MWh
Lignite	0.364 tCO2/MWh
Heating oil	0.264 tCO2/MWh

The bid price must be a fixed premium in EUR/tCO2 abated, expressed with two digits after the comma.[37]

To claim a non-default emissions factor, projects must provide proof of the to-be-replaced fossil fuel-fired heat production unit and commit to providing evidence of the decommissioning during the monitoring phase.

If the replaced capacity uses multiple fuels, the phase 4 ETS heat benchmark must be used.

If the replaced capacity uses other fuels than those listed in the table above, the applicant must choose an emission factor from those listed in the table above, that is the closest to the emission factor of the fuel to be replaced.

Calculation of project budget and maximum eligible heat volume

Applicants will also state:

(3) the nominal thermal capacity in MW_{th} of the heat production unit that produces electrified industrial process heat or direct-renewable process heat that will be installed and verified as being operational by the time of entry into operation.

(4) the volume of expected average yearly electrified/direct-renewable heat produced, expressed in MWh_{th}.

Please note that already at the application stage, (4) will be limited **by default to the equivalent of 70% of hours per year** at nominal capacity unless the project applies

[37] Bid will be truncated if more than 2 digits after comma are provided.

for a flexibility solution or is exempted from this requirement (see below 'Indirect emissions and flexibility requirements') [38].

The **maximum grant amount** is therefore calculated as:

$$\left[Subsidy\ requested\ in\ \frac{EUR}{MWh_{th}}\right] * \left[volume\ of\ expected\ average\ yearly\ heat\ produced\ in \frac{MWh_{th}}{year}\ adjusted\ to\ flexibility\ requirements\right] * [5\ years]$$

Which can be also presented as :

$$\left[Bid\ price\ in\ \frac{EUR}{tCO2}\right] * \left[volume\ of expected\ average\ yearly\ GHG\ abated\ in \frac{tCO2}{year}\right] * [5\ years]$$

Indirect emissions and flexibility requirements

There is **the default restriction** of payments to 70% of hours * nominal thermal capacity.

For each 6-month monitoring period, a project cannot receive a subsidy for produced volumes above the equivalent of 70% of hours * nominal thermal capacity **unless** at Entry into Operation:

- it indicates that it can follow a **flexible ramping schedule** for consuming electricity from the grid without damage to the equipment or compromising product quality. In this case the restriction is increased to 80% but will be monitored at each 6-month reporting period or
- it **proves investment into electricity or thermal storage** for the purpose of the project sufficient to replace the project's electricity consumption from the grid or the heat demand of the process for 4h by 20% within 1h. In this case the restriction is entirely lifted.
- it **deploys heat pumps with Coefficient of Performance (COP) of at least 2.0 or direct renewable heat**. In this case the restriction is entirely lifted.

  ⚠ For Hybrid projects that only partially produce heat through heat pumps with the necessary COP or by use of direct-renewable heat, the default restriction of 70% of hours applies.

The approach to flexibility must be chosen by the applicant **already at the bidding stage**.

[38] Which can be converted into **(5) volume of expected average yearly GHG abated (expressed in tCO2)**, using standard emission factors of fossil fuels with an assumed conversion efficiency of 90% or the phase 4 ETS heat benchmark.

Penalties apply in the case when the flexibility was claimed at application stage while not actually implemented (see Section 10 of the call text).

Maximum project budget

- for the INNOVFUND-2025-AUC-HEAT-MEDTEMP-BELOW5MW topic: not exceed EUR 100 million
- for the INNOVFUND-2025-AUC-HEAT-MEDTEMP-ABOVE5MW topic: not exceed EUR 100 million
- for the INNOVFUND-2025-AUC-HEAT-HIGHTEMP topic: not exceed EUR 250 million

There is no ceiling price.

The grant awarded may be lower than the amount requested.

7. Financial and operational capacity and exclusion

Financial capacity

Applicants must have **stable and sufficient resources** to successfully implement the projects and contribute their share. Organisations participating in several projects must have sufficient capacity to implement all projects.

The financial capacity check will be carried out on the basis of the documents which you may be requested later on by the Central Validation Service during grant preparation to upload in the Participant Register *(e.g. profit and loss account and balance sheet, audit report produced by an approved external auditor, certifying the accounts for the last closed financial year, etc)*. The analysis will be based on neutral financial indicators, but will also take into account other aspects, such as dependency on EU funding and deficit and revenue in previous years.

The check will normally be done for all beneficiaries, except:

- public bodies (entities established as public body under national law, including local, regional or national authorities) or international organisations
- if the individual requested grant amount is not more than EUR 60 000.

If needed, it may also be done for affiliated entities.

If we consider that your financial capacity is not satisfactory, we may require:

- further information
- an enhanced financial responsibility regime, i.e. joint and several responsibility for all beneficiaries or joint and several liability of affiliated entities *(see below, section 10)*

or

- request that you are replaced or, if needed, reject the entire proposal.

For more information, *see Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment*.

Operational capacity

Applicants must have the **know-how, qualifications** and **resources** to successfully implement the projects and contribute their share (including sufficient experience in projects of comparable size and nature).

This capacity will be assessed together with the 'Quality' award criterion, on the basis of the competence and experience of the applicants and their project teams, including operational resources (human, technical and other).

If the evaluation of the award criterion is positive, the applicants are considered to have sufficient operational capacity.

Applicants will have to show their capacity via the following information:

- general profiles (qualifications and experiences) of the staff responsible for managing and implementing the project;
- description of the consortium participants.

Additional supporting documents may be requested, if needed to confirm the operational capacity of any applicant.

Exclusion

Applicants which are subject to an **EU exclusion decision** or in one of the following **exclusion situations** that bar them from receiving EU funding can NOT participate[39]:

- bankruptcy, winding up, affairs administered by the courts, arrangement with creditors, suspended business activities or other similar procedures (including procedures for persons with unlimited liability for the applicant's debts);
- in breach of social security or tax obligations (including if done by persons with unlimited liability for the applicant's debts);
- guilty of grave professional misconduct[40] (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant);
- committed fraud, corruption, links to a criminal organisation, money laundering, terrorism-related crimes (including terrorism financing), child labour or human trafficking (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant);
- shown significant deficiencies in complying with main obligations under an EU procurement contract, grant agreement, prize, expert contract, or similar (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant);
- guilty of irregularities within the meaning of Article 1(2) of EU Regulation 2988/95 (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant);

[39] See Articles 138 and 143 of EU Financial Regulation 2024/2509.

[40] 'Professional misconduct' includes, in particular, the following: violation of ethical standards of the profession; wrongful conduct with impact on professional credibility; breach of generally accepted professional ethical standards; false declarations/misrepresentation of information; participation in a cartel or other agreement distorting competition; violation of IPR; attempting to influence decision-making processes by taking advantage, through misrepresentation, of a conflict of interests, or to obtain confidential information from public authorities to gain an advantage; incitement to discrimination, hatred or violence or similar activities contrary to the EU values where negatively affecting or risking to affect the performance of a legal commitment.

- created under a different jurisdiction with the intent to circumvent fiscal, social or other legal obligations in the country of origin or created another entity with this purpose (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant);

- intentionally and without proper justification resisted[41] an investigation, check or audit carried out by an EU authorising officer (or their representative or auditor), OLAF, the EPPO, or the European Court of Auditors.

Applicants will also be rejected if it turns out that[42]:

- during the award procedure they misrepresented information required as a condition for participating or failed to supply that information;

- they were previously involved in the preparation of the call and this entails a distortion of competition that cannot be remedied otherwise (conflict of interest).

8. Evaluation and award procedure

The proposals will have to follow the **standard submission and evaluation procedure** (one-stage submission + one-step evaluation).

An **evaluation committee** will assess all applications. Proposals will first be checked for formal requirements (admissibility, and eligibility, *see sections 5 and 6*). Proposals found admissible and eligible will be evaluated (for each topic) against the operational capacity and award criteria *(see sections 7 and 9)* and ranked according to the lowest bid price *(see section 6)*.

Cascade approach

Proposals will be evaluated (within their respective topic) according to the following cascade:

1) Proposals will be first ranked according to their bid price (in EUR/tCO2) abated, from the lowest to highest.

2) Those proposals whose maximum grant amounts fit within the topic budget and the budget from national funding windows (if any), and the proposals necessary to fill the reserve list (if any) will be assessed against the award criteria of 'Relevance' and 'Quality', on a pass/fail basis.

3) Remaining proposals will be rejected. They will not be evaluated against the 'Relevance' and 'Quality' award criteria.

The last proposal proposed for funding ('marginal bid') that exceeds the call budget will be added to the reserve list and the total auction budget volume will be decreased accordingly.

Priority order for proposals with same bid price

[41] 'Resisting an investigation, check or audit' means carrying out actions with the goal or effect of preventing, hindering or delaying the conduct of any of the activities needed to perform the investigation, check or audit, such as refusing to grant the necessary access to its premises or any other areas used for business purposes, concealing or refusing to disclose information or providing false information.

[42] See Article 143 EU Financial Regulation 2024/2509.

For proposals with the same bid price (within a topic), a **priority order** will be determined according to the following approach:

Successively for every group of *ex aequo* proposals, starting with the lowest bid price, and continuing in ascending order:

1) Proposals with the overall smaller support requirement have higher priority.

2) If this doesn't allow to determine the priority, proposals which are coordinated and implemented by small and medium-sized enterprises (SMEs)[43] as defined in the EU SME Recommendation 2003/361 will have higher priority.

3) If this doesn't allow to determine the priority, proposals located in a country (EU Member State or EEA country) which had, at call opening, less funds awarded in previous Innovation Fund calls will be considered to have higher priority.

Evaluation result and grant preparation

All proposals will be informed about the evaluation result (**evaluation result letter**). Successful proposals will be invited for grant preparation; the other ones will be put on the reserve list (if any) or rejected.

⚠ No commitment for funding — Invitation to grant preparation does NOT constitute a formal commitment for funding. We will still need to make various legal checks before grant award: *legal entity validation, financial capacity, exclusion check, etc*.

Grant preparation will involve a dialogue in order to fine-tune technical or financial aspects of the project and may require extra information from your side. It may also include adjustments to the proposal to address recommendations of the evaluation committee or other concerns. Full compliance will be a pre-condition for signing the grant.

If you believe that the evaluation procedure was flawed, you can submit a **complaint** (following the deadlines and procedures set out in the evaluation result letter). Please note that notifications which have not been opened within 10 days after sending will be considered to have been accessed and that deadlines will be counted from opening/access *(see also Funding & Tenders Portal Terms and Conditions)*. Please also be aware that for complaints submitted electronically, there may be character limitations.

National funding windows ('auctions as a service')

Proposals that are rejected by the Innovation Fund due to budget limitations and which are located in a country benefitting from a national funding window for this call/topic will be proposed for national support following the established price ranking, if they:

- have given their consent in the application form;
- the requested grant support fits within the national funding window budget;

and

- passed the evaluation for 'Relevance' and 'Quality'.

[43] The beneficiaries and affiliated entities in the consortium should all be SMEs . Only entities which are registered in the Participant Register and which have a positive SME self-assessment result (not older than 2 years) can be considered.

Reserve-listed proposals might be asked whether they want to remain on the Innovation Fund Auction reserve list or withdraw and be proposed for the national funding window.

⚠ If you withdraw from the reserve list, your application will no longer be considered for Innovation Fund support under this auction call.

⚠ Please be aware that, for proposals that agree to be proposed for national funding windows, the applications (and project documentation) will be shared with the national authorities. You may be required to submit additional documents or information for the national support.

9. Award criteria

The **award criteria** for this call are as follows:

1. **Relevance (Pass/Fail):** contribution to the objectives of this call as described in section 2 (direct GHG abatement through production of electrified or direct-renewable industrial process heat, within the respective temperature ranges of the applicable topic); consistency, quality, soundness and reliability of the information provided in the proposal.

2. **Quality (Pass/Fail):** technical and financial maturity and operational quality in terms of the project's readiness to reach financial close within 2 years and enter into operation within 4 years after signature of grant agreement; consistency, quality, soundness and reliability of the information provided in the proposal.

   Technical maturity: technical characteristics of the project (this will include elements of its design, equipment that will be installed and project location); soundness, credibility and consistency of the project implementation plan[44]; credibility of the feasibility study and the proposed implementation arrangements (including risk identification and mitigation measures); credible plan to achieve the expected amount of industrial process heat at the required temperature levels with the equipment that will be installed; consistency of the basic project parameters (including assumed full load hours, production profile and flexibility solutions); credibility of the electricity supply with the consumption profile; status of required permits (e.g. environmental permits) and energy infrastructure (e.g. grid connection authorisation, power supply profiles); for projects involving the installation of fossil-fuel capacity as part of the overall project: credibility of the claims on barriers to full electrification and of the transformation path (where relevant); credibility of the decommissioning plan (if any); credibility of the claims to opt for a flexibility mechanism on maximum eligible heat volume (if any); compliance with the DNSH principle (Article 17 of the Taxonomy Regulation 2020/852; *see Annex 4*).

   Financial maturity: soundness, credibility and consistency of the project's business plan, including a detailed background and justification of CAPEX, OPEX and revenues projections entered in the financial information file; strategy to secure the key contractual framework, including a robust plan and initial pre-contractual steps towards securing: electricity sourcing contracts demonstrating that the project has a credible plan to source the necessary electricity to procure the volumes of heat claimed in the bid and off-take contracts for the produced volumes of heat as stated in the bid ; soundness and credibility of the financing plan, including expected sources of equity and debt financing; understanding of

[44] For projects with capacity of 5MW_{th} of higher, cybersecurity measures should be described outlining how, in order to ensure the security of the installation, the operational control of the installation remains within an entity established in the EEA and the data are stored within the EEA.

the project's business and financing risks, including ability to hedge against fluctuations in electricity and heat prices, and risks stemming from dependencies on key infrastructure falling outside the project's boundaries (if relevant); consistency of the information presented in the application form, financial information file, electricity sourcing, equipment procurement and off-take heads of terms.

Operational maturity: credibility of the role, competence and experience of the applicants and their project teams, including operational resources (human, technical and other).

3. **Price:** bid price in EUR/tCO2 abated to be expressed with two digits after the comma.

⚠ If a proposal submits a bid price with more than two digits after the comma, only the first two first digits, not rounded, will be taken into account for ranking purposes.

Award criteria	Minimum pass score	Maximum score
Relevance	n/a	Pass/fail
Quality	n/a	Pass/fail
Price	n/a	Scoring according to bid price

Proposals that pass both the 'Relevance' and 'Quality' award criteria will be considered for funding based on their ranking according to their bid price — within the limits of the available budget (i.e. up to the budget ceiling) in each topic.

Other proposals will be rejected or passed on to national funding windows under auctions as a service, if applicable.

10. Legal and financial set-up of the Grant Agreements

If you pass evaluation, your project will be invited for grant preparation, where you will be asked to prepare the Grant Agreement together with the EU Project Officer.

This Grant Agreement will set the framework for your grant and its terms and conditions, in particular concerning deliverables, reporting and payments.

The Model Grant Agreement that will be used (and all other relevant templates and guidance documents) can be found on Portal Reference Documents.

Starting date and project duration

The project starting date and duration will be fixed in the Grant Agreement *(Data Sheet, point 1)*. The starting date will be the first day of the month following grant signature.

Project duration: *see section 6 above*.

Milestones and deliverables

The milestones and deliverables for each project will be managed through the Portal Grant Management System and will be reflected in Annex 1 of the Grant Agreement.

The following work packages (WP), deliverables and milestones will be required:

- WP 1 — Up to to Financial Close
  - Milestone 1 (mandatory): financial close.
  - Deliverables (mandatory): annual progress reports; financial close report (*see below the key documents necessary to verify achievement of financial close*); knowledge sharing plan; first knowledge sharing report; updated financial information file, with the information valid at financial close (all at financial close).

    ⚠ Please note that **financial close** will be demonstrated by submitting the following deliverables: main relevant permits approved, grid connection authorisation and agreement (where relevant); signed PPA(s) or equivalent electricity sourcing confirmation necessary to produce the heat volume stated in the bid (where applicable); signed off-take agreements for the heat produced (where relevant); signed construction agreements; signed purchasing agreements with heat equipment providers and confirmation that the equipment is compatible with the temperature level corresponding to the selected topic; final investment decision with signed financing agreements at appropriate level (e.g. signed credit facility agreement and shareholder agreement where applicable); signed EPC contract or similar.

- WP 2 – From Financial Close to Entry into Operation
  - Milestone 2 (mandatory): entry into operation deliverables (mandatory): annual progress reports; entry into operation report (*see below key documents necessary to verify achievement of entry into operation*); updated knowledge sharing plan, second knowledge sharing report; updated financial information file, with the information valid at entry into operation (all at entry into operation).

    ⚠ Please note that demonstration of the **entry into operation** of the installed thermal capacity (in MW) as stated in the bid is subject to proof of operational readiness (to be provided 3 months before the end of WP2). This will be established by submitting the following deliverables:

    - completion certificate issued by the main contractor(s);
    - a plant handover report for the thermal production capacity as stated in the bid, signed by the beneficiary and their main contractors (if any), including a successful performance test accepted by the beneficiary and conducted at full-load operation and above the min. eligible temperature threshold for the topic; the project must at the moment of entry into operation be able to demonstrate a nameplate thermal capacity (in MW) equal or bigger that the thermal capacity expressed in the bid;
    - proof of connection to the grid provided by the grid operator, where relevant.

    In addition:

    - for projects implementing a storage flexibility solution (*see section 6*), completion certificate of the main contractor of electric or thermal storage capacity sufficient to reduce electricity consumption from the

grid for 4h by 20% within 1 hour and a plant handover report for the thermal or electric storage capacity, signed by the beneficiary and their main contractors (if any), including a successful performance test accepted by the beneficiary and conducted at full-load operation of the storage equipment;

- For project claiming to deploy heat pumps with Coefficient of Performance (COP) of at least 2.0, proof that this COP is achieved.

– WP 3-12 — Years 1–5 of Operation

  – Two work packages per year with two milestones (mandatory): end of months six and twelve of year N of operation.

  – Deliverables (mandatory) for each work package:

    – Report (verified by an independent third party) on heat production and minimum temperature level(s) for each reporting period of six months. See also in Section 2 of the call text 'heat volumes and temperature levels – measurement and definitions';

    – for WP 4: decommissioning report at the end of first year of operation (where relevant);

    – for WP 4, 8 and final WP: knowledge sharing report and updated knowledge sharing plan;

    – for final WP: DNSH compliance report, demonstrating that the project complied with the DNSH technical screening criteria (TSC) throughout the project lifetime.

Form of grant, funding rate and maximum grant amount

The grant parameters *(e.g. maximum grant amount)* will be fixed in the Grant Agreement *(Data Sheet, point 3 and art 5)*.

Project budget (requested grant amount): *see section 6 above*.

The grant will be a unit grant. This means that it will reimburse a fixed amount per unit, based on unit contributions, corresponding to the fixed premium per unit of production of the final product as stated in the bid ('pay as bid').

Budget categories and cost eligibility rules

The budget categories and cost eligibility rules are fixed in the Grant Agreement *(Data Sheet, point 3, art 6 and Annex 2)*.

Budget categories for this call:

– A. Units of low/zero carbon product[45]

Specific cost eligibility rules for this call:

– the unit grant amount must be calculated in accordance with the methodology set out in the unit contribution authorising decision and using the calculator (financial information file) provided

[45] Decision of 27 October 2023 authorising the use of unit contributions for auction actions under the Innovation Fund.

- the unit calculation should respect the following conditions:
  - applicant bid price (fixed premium in EUR/tCO2 abated) multiplied by the expected average yearly volume (in tCO2 abated per year) multiplied by 5 years
- the units must:
  - refer to verified units of the low/zero carbon product produced set out in Annex 1 of the Grant Agreement
- the requested unit payments must:
  - correspond to applicant bid price multiplied by the units of low/zero carbon product produced during the reporting period

⚠ Please be aware that financial close must be reached within 2 years after grant signature (required as deliverable for WP 1; *see above*). If this is not achieved within the required time-limit, we may terminate the grant agreement and call the completion guarantee *(see art 32.3.1(j) and Annex 5).*

⚠ Please be aware that entry into operation must be reached within 4 years after grant signature and that the project must at that moment be able to demonstrate a nameplate capacity equal to the capacity expressed in the bid (required as deliverable for WP 2; *see above*). If this is not achieved within the required time-limit, we will terminate the grant and call the completion guarantee *(see art 32.3.1(m) and Annex 5)*.

⚠ After entry into operation, the installation must operate for at least 5 years.

⚠ The volume produced must be verified (required as deliverable for WP 3-12; *see above*) and not fall on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3-year period. If it falls below this average, the grant may be terminated and reduced *(see art 28 and 32.3.1(m))*.

⚠ For projects that implement a flexible ramping schedule (see section 6), the beneficiaries must respect the 80% of the hours limit at every reporting period (6 months). If it is exceeded, the amount of heat that can be funded will be automatically lowered according to the following formula:

$$Amount\ of\ heat\ that\ can\ be\ funded\ (MWh) = Amount\ of\ heat\ produced\ (MWh) - 2 * Excess\ heat\ produced\ (MWh)$$

$$Excess\ heat\ produced\ (MWh) = Amount\ of\ heat\ produced\ (MWh) - 0.8 * 4380\ (h) * nominal\ heat\ production\ capacity\ of\ the\ heat\ production\ unit\ (MW)$$

⚠ For projects that opted for the flexibility mechanism based on thermal or electricity storage but did not implement it, payments will automatically be limited to a maximum of 70% of hours.

⚠ For projects that used an emission factor higher than the phase 4 ETS heat

benchmark for their bid price, the beneficiaries must prove the decommissioning of the existing thermal capacity by the end of WP 4. If this cannot be demonstrated (proof of decommissioning is not submitted or judged as not valid), the grant agreement may be terminated and grant payments recovered *(see art 28 and 32.3.1(j))*.

Reporting and payment arrangements

The reporting and payment arrangements are fixed in the Grant Agreement *(Data Sheet, point 4 and art 21 and 22)*.

There is **no pre-financing** payment.

There will be one or more **interim payments:**

- Reporting Period 1, after:
  - financial close, within a maximum of 2 years (⚠ end of WP 1: 3 months *after* planned financial close date) — no payment;
  - entry into operation, within a maximum of 4 years (⚠ end of WP 2: 3 months *after* planned entry into operation date) — no payment;
  - first 6 months of operation — first interim payment.
- Reporting Period 2-10 semi-annual payments after entry into operation (WP 4 to 12).

To monitor progress until entry into operation, you will be expected to submit progress reports not linked to payments.

Payment of the balance: At the end of the project, we will calculate your final grant amount.

All payments will be made to the coordinator.

⚠ Please be aware that payments will be automatically lowered if you or one of your consortium members has outstanding debts towards the EU (granting authority or other EU bodies). Such debts will be offset by us — in line with the conditions set out in the Grant Agreement *(see art 22)*.

Please also note that you are responsible for **keeping records** on all the work done and the units declared.

Prefinancing guarantees

n/a

Certificates

n/a

Liability regime for recoveries

The liability regime for recoveries will be fixed in the Grant Agreement *(Data Sheet, point 4.4 and art 22).*

For beneficiaries, it is one of the following:

- limited joint and several liability with individual ceilings — *each beneficiary up*

to their maximum grant amount

- unconditional joint and several liability — *each beneficiary up to the maximum grant amount for the action*

or

- individual financial responsibility — *each beneficiary only for their own debts*.

In addition, the granting authority may require joint and several liability of affiliated entities (with their beneficiary).

Provisions concerning the project implementation

IPR rules: *see Model Grant Agreement (art 16 and Annex 5):*

- list of background:Yes
- rights of use on results: Yes
- knowledge sharing requirements: Yes

Communication, dissemination and visibility of funding: *see Model Grant Agreement (art 17 and Annex 5):*

- communication and dissemination plan (knowledge sharing plan): Yes
- additional communication and dissemination activities: Yes
- special logos: Yes

Specific rules for carrying out the action: *see Model Grant Agreement (art 18 and Annex 5):*

- specific rules for auction grants: Yes

Other specificities

Fair bid conditions

Auction calls are subject to the following additional conditions to ensure fair bid conditions:

- for the capacity to which the bid refers, the works must not have started by the time of submission of this application (in line with the definitions in paragraph 82 of the Guidelines on State aid for climate, environmental protection and energy[46]);
- the auction grant must not be combined with any of the types of excluded public support listed in in Annex 3;
- all partners in the project consortium must at all times before and during the project implementation be in compliance with the Deggendorf rule (Deggendorf rule excludes undertakings that have received incompatible state aid and are subject to a state aid recovery obligation).

In case of breach, the grant may be terminated and reduced or any other measure

[46] Communication from the Commission – Guidelines on State aid for climate, environmental protection and energy 2022 (COM 2022/C 80/01) (*OJ C 80, 18.2.2022, p. 1).*

described in Chapter 5 of the Grant Agreement may be taken.

Completion guarantee

A completion guarantee covering 6% of the requested maximum grant will be required to avoid speculative bids *(mandatory template available on Portal Reference Documents)*.

The completion guarantee must be in euro and issued by an approved bank/financial institution established in an EU Member State or EEA country, with the following minimum rating from at least one of these rating agencies: BBB- from S&P or Fitch, Baa3 from Moody's, BBB(low) from DBRS or A- from A.M.Best.

Amounts blocked in bank accounts will NOT be accepted as financial guarantees.

Completion guarantees are normally requested from the coordinator, for the consortium. For proposal submission (call deadline), the consortium must submit a letter of intent ; the guarantee itself must be provided later on during grant preparation, (scanned copy via Portal AND original by post; *see section 5 above*). The guarantee must be provided within two months of receiving the evaluation result letter (invitation to grant preparation). If no guarantee is received within this time-limit, the granting authority may consider the application as withdrawn and decide to terminate grant preparation.

The guarantee will be called by the granting authority if the installation does not reach approved entry into operation, either because:

- it does not enter into operation within the maximum time to entry into operation set out in section 6
- it enters into operation within the maximum time to entry into operation, but doesn't reach the planned capacity as specified in Annex 1 of the Grant Agreement
- the grant is terminated before entry into operation for other reasons (e.g. if the action does not reach approved financial close within the maximum time to reach financial close set out in section 6).

If not called, the guarantee will be released after final approval of the entry into operation in accordance with the conditions laid down in the Grant Agreement *(Annex 5)*.

The guarantee must have a validity from when it is issued until six months after the maximum time to entry into operation as set out in section 6.

The costs of the guarantee must be borne by the consortium.

Non-compliance and breach of contract

The Grant Agreement (chapter 5) provides for the measures we may take in case of breach of contract (and other non-compliance issues).

For more information, *see AGA — Annotated Grant Agreement*.

11. How to submit an application

All proposals must be submitted directly online via the Funding & Tenders Portal Electronic Submission System. Paper applications are NOT accepted.

Submission is a **2-step process**:

a) **create a user account and register your organisation**

To use the Submission System (the only way to apply), all participants need to create an EU Login user account.

Once you have an EULogin account, you can register your organisation in the Participant Register. When your registration is finalised, you will receive a 9-digit participant identification code (PIC).

b) **submit the proposal**

Access the Electronic Submission System via the Topic page in the Calls for proposals section (or, for calls sent by invitation to submit a proposal, through the link provided in the invitation letter).

Submit your proposal in 4 parts, as follows:

- Part A includes administrative information about the applicant organisations (future coordinator, beneficiaries, affiliated entities and associated partners) and the summarised budget for the proposal. Fill it in directly online.
- Part B (description of the action) covers the technical content of the proposal. Download the mandatory word template from the Submission System, fill it in and upload it as a PDF file.
- Part C containing additional project data. To be filled in directly online.
- Annexes (*see section 5*). Upload them as PDF file (single or multiple depending on the slots). Excel upload is sometimes possible, depending on the file type.

The proposal must keep to the **page limits** *(see section 5)*; excess pages will be disregarded.

Documents must be uploaded to the **right category** in the Submission System, otherwise the proposal may be considered incomplete and thus inadmissible.

The proposal must be submitted **before the call deadline** (*see section 4*). After this deadline, the system is closed and proposals can no longer be submitted.

Once the proposal is submitted, you will receive a **confirmation e-mail** (with date and time of your application). If you do not receive this confirmation e-mail, it means your proposal has NOT been submitted. If you believe this is due to a fault in the Submission System, you should immediately file a complaint via the IT Helpdesk webform, explaining the circumstances and attaching a copy of the proposal (and, if possible, screenshots to show what happened).

Details on processes and procedures are described in the Online Manual. The Online Manual also contains the links to FAQs and detailed instructions regarding the Portal Electronic Exchange System.

12. Help

As far as possible, ***please try to find the answers you need yourself***, in this and the other documentation (we have limited resources for handling direct enquiries):

- Online Manual
- Q&A on the Call/Topic page (for call-specific questions in open calls; not applicable for actions by invitation)

– Portal FAQ (for general questions).

Please also consult the Topic page regularly, since we will use it to publish call updates. (For invitations, we will contact you directly in case of a call update).

Contact

For individual questions on the Portal Submission System, please contact the IT Helpdesk.

Non-IT related questions should be sent to the Innovation Fund Helpdesk.

Please indicate clearly the reference of the call and topic to which your question relates *(see cover page)*.

13. Important

IMPORTANT

- **Don't wait until the end —** Complete your application sufficiently in advance of the deadline to avoid any last minute **technical problems**. Problems due to last minute submissions *(e.g. congestion, etc)* will be entirely at your risk. Call deadlines can NOT be extended.
- **Consult** the Portal Topic page regularly. We will use it to publish updates and additional information on the call (call and topic updates).
- **Funding & Tenders Portal Electronic Exchange System —** By submitting the application, all participants **accept** to use the electronic exchange system in accordance with the Portal Terms & Conditions.
- **Registration —** Before submitting the application, all beneficiaries, affiliated entities and associated partners must be registered in the Participant Register. The participant identification code (PIC) (one per participant) is mandatory for the Application Form.
- **Consortium roles —** When setting up your consortium, you should think of organisations that help you reach objectives and solve problems.

  The roles should be attributed according to the level of participation in the project. Main participants should participate as **beneficiaries** or **affiliated entities**; other entities can participate as associated partners, subcontractors, third parties giving in-kind contributions. **Associated partners** and third parties giving in-kind contributions should bear their own costs (they will not become formal recipients of EU funding). **Subcontracting** should normally constitute a limited part and must be performed by third parties (not by one of the beneficiaries/affiliated entities).
- **Coordinator —** In multi-beneficiary grants, the beneficiaries participate as consortium (group of beneficiaries). They will have to choose a coordinator, who will take care of the project management and coordination and will represent the consortium towards the granting authority. In mono-beneficiary grants, the single beneficiary will automatically be coordinator.
- **Affiliated entities** — Applicants may participate with affiliated entities (i.e. entities linked to a beneficiary which participate in the action with similar rights and obligations as the beneficiaries, but do not sign the grant and therefore do not become beneficiaries themselves). They will get a part of the grant money and must therefore comply with all the call conditions and be validated (just like beneficiaries); but they do not count towards the minimum eligibility criteria for consortium composition (if any). If affiliated entities participate in your project, please do not forget to provide documents demonstrating their affiliation link to your organisation as part of your application.
- **Associated partners** — Applicants may participate with associated partners (i.e. partner organisations which participate in the action but without the right to get grant money). They participate without funding and therefore do not need to be validated.
- **Consortium agreement** — For practical and legal reasons it is recommended in all cases to set up internal arrangements that allow you to deal with exceptional or unforeseen circumstances. The consortium agreement also gives you the possibility to redistribute the grant money according to your own consortium-internal principles and parameters (for instance, one beneficiary can reattribute its grant money to another beneficiary). The consortium agreement thus allows you to customise the EU grant to the needs inside your consortium and can also help to protect you in case of disputes. For successful proposals, the consortium agreement should be signed before the signature of the grant agreement.

- **Balanced project budget —** Grant applications must ensure a balanced project budget and sufficient other resources to implement the project successfully *(e.g. own contributions, income generated by the action, financial contributions from third parties, etc)*. You may be requested to lower your estimated costs, if they are ineligible (including excessive).

- **Completed/ongoing projects —** Proposals for projects that have already been completed will be rejected; proposals for projects that have already started will be assessed on a case-by-case basis (in this case, no costs can be reimbursed for activities that took place before the project starting date/proposal submission).

- **No cumulation of funding —** There is a strict prohibition of double funding from the EU budget (see Annex 3).

- **Multiple proposals —** Applicants may submit more than one proposal for *different* projects under the same call (and be awarded funding for them).

  Organisations may participate in several proposals.

  BUT: if there are several proposals for *very similar* projects, only one application will be accepted and evaluated; the applicants will be asked to withdraw the others (or they will be rejected).

- **Resubmission —** Proposals may be changed and re-submitted until the deadline for submission.

- **Rejection —** By submitting the application, all applicants accept the call conditions set out in this this Call document (and the documents it refers to). Proposals that do not comply with all the call conditions will be rejected. This applies also to applicants: All applicants need to fulfil the criteria; if any one of them doesn't, they must be replaced or the entire proposal will be rejected.

- **Cancellation —** There may be circumstances *(e.g. severe under-subscription, etc)* which may require the cancellation of the call. In this case, you will be informed via a call or topic update. Please note that cancellations are without entitlement to compensation.

- **Language —** You can submit your proposal in any official EU language (project abstract/summary should however always be in English). For reasons of efficiency, we strongly advise you to use English for the entire application. If you need the call documentation in another official EU language, please submit a request within 10 days after call publication (for the contact information, *see section 12*).

- **Foreign subsidies —** Be aware that internal market distortions caused by components (goods or services) that benefit from foreign subsidies, or imports being unfairly subsidized or dumped on the EU market, may be investigated under the EU Foreign Subsidies Regulation 2022/2560 or EU trade defense investigations.
- **Transparency —** In accordance with Article 38 of the EU Financial Regulation, information about EU grants awarded is published each year on the Europa website.

  This includes:
  - beneficiary names
  - beneficiary addresses
  - the purpose for which the grant was awarded
  - the maximum amount awarded.

  The publication can exceptionally be waived (on reasoned and duly substantiated request), if there is a risk that the disclosure could jeopardise your rights and freedoms under the EU Charter of Fundamental Rights or harm your commercial interests.
- **Data protection —** The submission of a proposal under this call involves the collection, use and processing of personal data. This data will be processed in accordance with the applicable legal framework. It will be processed solely for the purpose of evaluating your proposal, subsequent management of your grant and, if needed, programme monitoring, evaluation and communication. Details are explained in the Funding & Tenders Portal Privacy Statement.

Glossary

Action	Global term for beneficiary activities funded by the Innovation Fund. Used interchangeably with project.
Bid Price	Bid for the amount of subsidy to be received per unit of low/zero carbon product produced by the applicant.
Consortium	Beneficiaries and other participants which cooperate together to implement the project.
Detailed budget table/Calculator ('Financial information file')	Detailed project budget table/calculator filled in according to the mandatory excel file template that includes the bid components, such as bid price and expected average yearly volume of production.
Disbursement period	Period of time between entry into operation and the final payment as specified in section 6 of the Call document.
Entry into operation	The moment in the project development cycle where all elements and systems required for operation of the project have been tested and the capacity stated in the bid has been certified as operational. It should be demonstrated by submitting the information listed in section 10 of the Call document.
Expected average yearly/semi annual volume	Arithmetic average of annual/semi-annual volume of the low/zero carbon product expected to be produced during the minimum duration of operation as specified in section 6 of the Call document
Financial close	The moment in the project development cycle where all the project and financing agreements have been signed, all the required conditions contained in them have been met and a final investment decision has been taken. It should be demonstrated by submitting the information listed in section 10 of the Call document.
Grant	Financial support by means of a fixed premium
Project duration	Period of time from signature of grant agreement until the end of the final work package as specified in section 6 of the Call document. The project may continue operations afterwards until the 'end of project life', out of the scope of the grant agreement.
Start of works	The first firm commitment (for example, to order equipment or start construction) that makes an investment irreversible. The buying of land and preparatory works such as obtaining permits and conducting preliminary feasibility studies are not considered as start of works.
Subcontractor	Economic operator that is proposed by a beneficiary/affiliated entity to perform part of the action tasks.

Annex 1

Knowledge Sharing

The purpose of the knowledge sharing is to de-risk innovative technologies and solutions with regard to scaling up to a commercial size, to accelerate their deployment and support their replication, to increase the uptake and confidence in these technologies or solutions by the investment community and wider public, as well as to maintain a competitive market for their post-demonstration deployment. It also serves as a feedback tool to the European Commission to overcome regulatory and financial barriers for the innovative technologies under development.

As part of the knowledge sharing requirements incorporated into the grant agreements, Innovation Fund projects are required to actively share information with the public and other market participants to ensure transparency and knowledge dissemination. Beneficiaries must present the project on their organisation websites and social media accounts.

The knowledge to be shared, for example through the knowledge sharing reports , as well as communication and dissemination activities, must cover the whole project cycle: reaching financial close; getting to entry into operation; and operation. The areas of relevant knowledge to be shared cover project management, financial engineering, permitting, procurement, construction, commissioning, performance, cost level and cost per unit performance, stakeholder engagement, environmental impacts, health and safety, as well as needs for further research and development.

More in-depth knowledge will be shared with all Innovation Fund projects of the same sector or category and with any other project (from the specific sector or category) that has agreed to share information on the same terms. Fair competition and commercial sensitivity will be safeguarded during knowledge-sharing activities.

More general knowledge on the innovative technologies demonstrated under the Innovation Fund will also be shared with a wider community beyond the circle of the Innovation Fund beneficiaries, including Member States, researchers, NGOs, international organisations and other projects.

Confidential (sensitive) information shared by the beneficiaries will be fully preserved. Moreover, no information will be disclosed which could lead to the reverse-engineering of the beneficiaries' technology or prejudge their ability to obtain patent or other registered intellectual property right protection.

Annex 2

Minimum requirements for requested documentation

1. Sourcing strategy - Electricity sourcing supporting evidence

The proposal must include the key heads of terms (HoT) related to the electricity sourcing of the project to demonstrate that the project has a credible plan to source the necessary electricity to procure the volumes of heat claimed in the bid.

The heads of terms[47] or other forms of pre-contractual signed term sheets must be provided for at least 60% of the required total electricity volumes during the project's implementation period for the heat production claimed in the bid.

The heads of terms must include the following information:

a) name of electricity provider (if applicant energy-generating assets and if applicable, indicate the expected timeline for these installations to reach final investment decision or to be operational)

b) type of electricity source

c) type of connection (connection via the grid or direct connection with the electricity generation asset)

d) volume of electricity supplied from the source (incl. % of absolute volume needed for the project)

e) price range indication

f) pricing structure (fixed price, collar, price floor, floating, indexed etc.)

g) duration of supply

The provided heads of terms should not be more than 1 year old at the moment of application.

Where the electricity provider is the same legal entity as the beneficiary, a letter signed by a director/senior executive of the beneficiary can be provided instead of heads of terms, specifying the quantity of electricity, its source, the corresponding price and confirmation that it will be reserved internally for project's heat production.

The volumes and prices stated in the heads of terms should be consistent with the financial information provided.

2. Off-take strategy — Heat off-take supporting evidence

The proposal must include heat off-take heads of terms to demonstrate that the project has a credible plan to secure the necessary off-take for the heat volumes claimed in the bid.

The heads of terms or other forms of pre-contractual signed term sheets must be provided for at least 60% of the required total heat volumes during the project's implementation period claimed in the bid.

[47] Heads of terms are understood as pre-contractual documents that outline the key pre-agreed terms of the transaction between parties, representing a more advanced stage of negotiation than a Memorandum of Understanding (MoU).

The heads of terms must include the following information:

a) name of the off-taker

b) sector and sub-sector of the off-taker. Please refer to the sector categorization provided in Part C)

c) off-take volumes *(expressed in MWhth*)

d) pricing structure *(fixed price, price floor, floating, indexed, etc)*

e) price range indication

f) duration of the off-take agreement

The provided heads of terms should not be more than 1 year old at the moment of application.

If the heat is consumed internally within the project boundaries or considered an 'integrated project' (i.e. if the 'off-taker' is the same legal entity as the beneficiary of the auction), a letter signed by a director/senior executive of the beneficiary can be provided instead of HoT, specifying the quantity of heat and how it will reserved internally for self-consumption.

The volumes and prices stated in the HoT should be consistent with the financial information provided.

3. Procurement strategy - Equipment procurement supporting evidence

The proposal must include the key heads of terms for the main equipment(s) procured by the project, demonstrating in a credible and transparent manner that the proposed equipment is adequate to meet the project's requirements and ensure the production of the expected outputs.

The heads of terms or other forms of pre-contractual signed term sheets must include the following information:

a) name of the equipment supplier

b) technical characteristics

c) origin

d) nameplate capacity in MWth (where relevant)

e) expected delivery date

f) price

The provided heads of terms should not be more than 1 year old at the moment of application.

The key characteristics and prices stated in the heads of terms should be consistent with the financial information provided.

4. Support to project - Equity supporting evidence

The project must provide evidence of the funding support by the project's equity funding providers identified in Part B of the Application Form. For that purpose, the project must present memoranda of understanding, letters of intent or letters of support for at least 60% of the total projected equity funding amount.

The documents should be signed by authorised signatories at executive committee and/or board of director level of the respective funding entity(ies).

The documents provided must include:

a) the name of the funding entity providing the equity

b) job title of the signatory(ies)

c) reference to the project and investment scope (aligned with the bidding project scope)

d) funding amount and share of the project's total equity funding amount

e) availability of financing resources to secure this funding amount

f) expected timing and steps to reach financial close.

5. Permits, licences and authorisations

The project must demonstrate the initiation of all necessary permit, licencing and authorisation procedures and that they will be delivered in time.

Environmental permits

The proposal should present a credible strategy to obtain the relevant permits (e.g., environmental permits, construction permits) from the competent national or regional authorities.

The strategy needs to include a clear description of all the relevant permits needed to build and operate, as well as the process of obtaining the said permits from the relevant authorities. Furthermore, the strategy should present a clear timeline, demonstrating the ability to obtain in a timely manner the necessary permits. Particular attention should be given to the requirement of providing the environmental and construction permits (where applicable) at financial close.

The documentation provided will be assessed considering the national context, which should also be described in the application.

Grid connection permits

If the project will be using power from the electricity grid, credible evidence of the submission of the necessary requests to the relevant authority to receive a grid connection permit, including any additional capacity needed, for the heat production installation within the maximum time to financial close.

The submitted documents must establish in a credible manner that the timeline for the permit approval is realistic and can be achieved before the maximum time to financial close. The documentation provided will be assessed considering the national context, which should also be described in your application.

Annex 3

Rules on combination of support

This section describes the rules for combining the support awarded through this auction with other public support in the form of: either State aid (both notified e.g. under the CEEAG[48] or the IPCEI Communication[49] and not notified e.g. under the GBER[50]) or funding from EU programmes (e.g. Innovation Fund, Horizon Europe, Connecting Europe Facility, InvestEU).

Cases of combination of support marked **X** are not allowed. A self-declaration will be required as part of the project application, stating that by the time of grant agreement signature the project will not be in any excluded cases of combined support.

Cases marked **V** are allowed.

For all cases of allowed combination of support (under the IF auction), please also note that there are also rules on combination of support that have to be respected coming from State aid requirements (e.g. in some case of funding gap assessment under CEEAG/IPCEI).

For avoidance of doubt, general measures such as general tax reduction measures applicable to all economic operators, when they are *not* State aid, fall outside the scope of this section.

Entity	**Cases of combination of support that are not allowed**	**Cases that are allowed**
Project signing Grant Agreement for an Innovation Fund auction grant ('IF auction project')	**X** Combination with public support for project's CAPEX or OPEX is *not* allowed. **X** For avoidance of doubt, compensation for indirect emission costs provided under the ETS State aid Guidelines[51] is a form of State aid and cannot be combined. **X** For avoidance of doubt, reductions from levies or taxes which reflect part of the cost of providing electricity to the beneficiaries, e.g. reductions from network	**V** Combination with previous public support for early project development stages such as: research, feasibility studies or FEED studies preceding the commercial operation is allowed. **V** Combination with previous public support for capacity development that is *not* part of the bid is allowed[52]. **V** Combination with public support for energy infrastructure[53] connected to the project (e.g. Connecting Europe Facility support) is allowed, provided that the energy infrastructure is not infrastructure dedicated to this project ("non-dedicated infrastructure").

48 https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation_en
49 https://competition-policy.ec.europa.eu/state-aid/legislation/modernisation/ipcei_en
50 https://competition-policy.ec.europa.eu/state-aid/legislation/regulations_en
51 *Communication from the Commission – Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021, 2020/C 317/04.*
52 *E.g. if a previous project stage of 5MWe of capacity has received public support, and a 15MWe capacity extension is bid into the auction, that bid is eligible. A combined 20MWe bid, comprising 5MWe previously supported would, however, not be allowed.*
53 *As defined in CEEAG (point 36 of section 2.4 Definitions).*

Entity	Cases of combination of support that are not allowed	Cases that are allowed
	charges or from charges financing capacity mechanisms or reductions in electricity taxes (not covered by point 403 of CEEAG or equivalent points under other State aid frameworks) cannot be combined when they are State aid.	**V** Combination with reduction from levies on electricity consumption which finance energy and environmental policy objectives (as described in section 4.11 of CEEAG or equivalent measures under other State aid frameworks)[54] is allowed[55], even if these measures qualify as State aid.
Electrified/direct-renewable heat equipment manufacturers from whom IF auction project will purchase equipment		**V** Public support provided to the manufacturers supplying equipment for the IF auction project is allowed.
Electricity installations from which IF auction project will source electricity		**V** Public support provided to the electricity installation from which the IF auction project will source electricity is allowed.
Off-takers to whom IF auction project sell their products (glass, metals, paper etc)		**V** Public support provided to the off-takers to whom IF auction project sell their products is allowed.

[54] *Measures notified that fall under point 403 and section 4.11 of CEEAG or similar measures, for example those that fall under Article 44 of GBER.*

[55] *Allowed for the 2025 auction round. If further auction rounds follow, this case of combined support may not be allowed.*

Annex 4

DNSH requirements in InnovFund projects

1. Introduction to 'do no significant harm'

The Do No Significant Harm ('DNSH') principle was first legislated through the EU Sustainable Finance framework, specifically via Regulation (EU) 2020/852 ('Taxonomy Regulation'). There is a total of six environmental objectives established in Article 9 of the Taxonomy Regulation:

- Climate change mitigation;
- Climate change adaptation;
- Protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control regarding use and presence of chemicals;
- Protection and restoration of biodiversity and ecosystems.

Within the European Union policy framework, the DNSH principle aims to ensure that EU initiatives (e.g. policies, regulations, funding programs) do not negatively impact the EU's climate and environmental objectives. This principle is increasingly used by European and national authorities to mainstream climate and environmental considerations across public initiatives during their design, implementation and evaluation phases.

2. DNSH application and assessment under InnovFund

Article 10f of Directive 2003/87/EC ('ETS Directive') provides that from 1 January 2025, the ETS revenues destined for the Innovation Fund should be used in accordance with the DNSH criteria set out in Article 17 of the Taxonomy Regulation.

Therefore, all proposals submitted to the Innovation Fund Auction and Grants calls will be assessed for their compliance with the DNSH Technical Screening Criteria ('TSC'), set in Commission Delegated Regulations (EU) 2021/2139 ('Climate Delegated Regulation') and (EU) 2023/2486 ('Environment Delegated Regulation'). The version in force of these Commission Delegated Regulations when the call closes will be the relevant DNSH criteria for the entire life of the project.

Only the 'do no significant harm' criteria set in the abovementioned Commission Delegated Regulations, and NOT the 'substantial contribution criteria', are relevant for the purpose of DNSH compliance under the Innovation Fund. An updated Commission Delegated Regulation shall apply from 1 January 2026[56] which simplifies the Generic Criteria for Pollution Prevention and Control.

Note that it is the responsibility of the applicant to clearly identify the main economic activity(ies) proposed as part of the project, to clearly identify whether one or more sets of TSC are applicable to their project, and to provide credible justifications concerning DNSH compliance.

[56] COMMISSION DELEGATED REGULATION (EU) …/... of 4.7.2025 amending Commission Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives, not yet published in the Official Journal

2.1 Different DNSH requirements for each project

Different TSC are set for different economic activities. For some of the economic activities proposed by some IF projects, it is possible that no TSC have been defined in the above-mentioned Climate Delegated Regulation or in the Environment Delegated Regulation. For some other IF projects, it is possible that TSC are defined only for a limited number of environmental objectives, while some IF projects may need to meet TSC set for each of the 6 environmental objectives.

2.2 Evaluation

DNSH alignment will be assessed during proposal evaluation. If the experts assessing a proposal identify shortcomings with the plan for DNSH compliance, but not the general compliance of the project activities with the DNSH TSC, the proposal may pass the evaluation, and, in case the proposal is recommended for funding, the applicant will be required during the grant agreement preparation phase to submit further documentation and/or to include measures to address the issues identified during project implementation. Failure to do so may result in the grant agreement not being signed.

In case the proposal is awarded, deliverables might be added to the work plan to monitor and verify the compliance of the project activities with the DNSH TSCs.

At the end of the Innovation Fund project, projects will need to report on their compliance with DNSH TSC through the submission of a DNSH Compliance Report.

If a project is found to be non-compliant with the TSC after grant agreement signature, the project may be terminated and/or the grant may be reduced.

3. Selecting relevant technical screening criteria (TSC)

Applicants must identify the relevant TSC for their economic activity(ies). They can do this using the relevant Climate Delegated Regulation and Environment Delegated Regulation and/or the Taxonomy Compass. The EU Taxonomy NACE alternate classification mapping tool represents an indicative mapping of selected industry classification systems, and how they relate to the description of economic activities which can be found in the above-mentioned Commission Delegated Regulations, including the Commission Climate Delegated Regulation. This Excel document was prepared by the Platform on Sustainable Finance [57]. Note that this document does not necessary represent the official views of the European Commission. The European Commission can therefore not be held responsible for any use which may be made of the information this document contains.

Step 1: Selecting relevant economic activities

Applicants may use the search function in the Taxonomy Compass to identify potentially relevant economic activities. NACE codes can be used to verify the applicable sector. Further considerations to take into account:

- Only economic activity(ies) within the project scope should be included.
- If the economic activity associated with the production of one of the products of a project has relevant TSC, then the project must always comply with those TSC.

[57] https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en

- A project proposal may include several relevant economic activities *(e.g. electricity generation from wind energy and manufacture of hydrogen)*. In this situation, the project will need to be compliant for each objective for each relevant economic activity.
- TSC are not defined for certain economic activities *(e.g. manufacture of pulp and paper)*. If no TSC are set for an economic activity, this should be clearly stated in the application form Part B and justified; in this case there is no need to prove compliance with DNSH criteria.
- If a project includes an economic activity, but this is only a 'minor' part of the project, and it is not directly related to the production of one of the products of the project, then the TSC set for that economic activity do not need to be achieved. Activities such as 'professional, scientific and technical activities' and 'construction and real estate activities' are examples of economic activities which are generally considered minor for the assessment of compliance with DNSH criteria, if they complement another major economic activity for the project.

Step 2: Determining the relevant TSC

The applicable TSCs for each economic activity can be found either in the Commission Climate Delegated Regulation or in the Commission Environment Delegated Regulation. The Climate Delegated Regulation is the most likely source of economic activities related to the Innovation Fund, but there may be relevant activities also in the Commission Environment Delegated Regulation, such as recovery of bio-waste.

1. Find the relevant economic activity in the Table of Contents.
2. Refer only to the 'do no significant harm' criteria and NOT to the 'substantial contribution criteria' (which are not relevant for the DNSH assessment under the Innovation Fund).
3. TSC are listed in Annex I of the Commission Climate Delegated Regulation for all environmental objectives except 'climate change mitigation'. The criteria for 'climate change mitigation' can be found in Annex II of the Commission Climate Delegated Regulation for all environmental objectives except 'climate change adaptation'.

Only economic activities within the project boundary should be considered. Additional guidance on expected relevant economic activities is shown below for reference.

Table 2: Relevant economic activities for specific types of Heat Auction projects

Type of Project	**Economic activity with TSC (for DNSH compliance)**
Thermal Energy Storage	4.11. Storage of thermal energy
Solar Thermal	4.21. Production of heat/cool from solar thermal heating
Geothermal	4.22. Production of heat/cool from geothermal energy
Installation of Heat Pumps	4.16. Installation and operation of electric heat pumps
Electrification of specific industrial heat process – where TSC exist for the relevant economic activity	3. Manufacture of batteries, cement, aluminium, iron & steel, hydrogen, carbon black, soda ash, chlorine, organic basic chemicals, anhydrous ammonia, nitric acid, plastics

	However, the DNSH assessment is restricted to the process elements within the project boundary.
Electrification of specific industrial heat process – where TSC do not exist for the relevant economic activity	No DNSH TSC

4. How to complete your proposal to demonstrate DNSH compliance

Self-declaration (all calls)

In the section 'Declarations' you must acknowledge compliance with the do no significant harm principle.

Application Form B

The application form Part B should be used to justify compliance with DNSH TSC for the relevant economic activity(ies).

For each relevant TSC, projects must demonstrate a plan for compliance with the relevant TSC (including a timeline and resources allocated to meet such a requirement). Projects must demonstrate that they comply with any specific quantitative limits and with any qualitative requirements specified in the relevant TSC.