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Maria Segura, Marianne Clayton and Christopher M. Vollert from Clayton & Segura State Aid Lawyers report regularly on the most relevant developments from the capital of Europe on state aid matters.

EU Innovation Fund 2024

To reach the ambitious goal of becoming climate neutral by 2050, the EU will help financing decarbonisation allocating approximately 40 billion euros until 2030 with the EU Innovation Fund.

The Fund financially supports technologies in all Member States to accelerate the transition to a low-carbon, competitive and innovative EU economy. The budget comes from the EU Emissions Trading Scheme (ETS).

This **C&S Client Briefing** provides an overview of the main features of the EU Innovation Fund and the funding opportunities.

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General Information

The Innovation Fund, the EU fund for climate policy, focuses on energy and industry.

It supports the deployment of innovative net-zero technologies to decarbonise European industry in the transition to climate neutrality. It endorses policy priorities of the European Commission (Commission), e.g. the Net Zero Industry Act, the Wind Package and the Industrial Carbon Management Strategy.

The Innovation Fund's total funding will amount to about EUR 40 billion until 2030. It will award grants through calls for proposals and through competitive bidding procedures (auctions).

What kind of projects can receive support?

Highly innovative technologies and lighthouse projects that significantly reduce emissions. The aim is to finance a wide range of different projects in all eligible sectors and countries.

Clayton & Segura will keep you updated regarding open auctions and calls and will help you identify

and ensure the admissibility and eligibility of your project.

Who can apply for support?

Any (public or private) undertaking that is directly responsible for the implementation and management of the innovation project is eligible to apply. Projects can be carried out by individual companies on a stand-alone basis or by small consortia. The project must take place in the Member States of the EU Emissions Trading Scheme, i.e. the EU Member States, Liechtenstein, Norway or Iceland.

One can apply via the EU Funding and Tenders portal by submitting the proposal when there is an open call for projects or an auction.

Open funding opportunities

On 3rd December 2024, the Commission launched three new funding opportunities:



1. The second auction for renewable hydrogen production ("[IF24 Auction](#)") started on 3 December 2024 and focusses the support on Renewable Fuel of Non-Biological Origin (RFNBO) to achieve "*security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness*".

The IF24 Auction will award EUR 1.2 billion to producers of hydrogen categorised as RFNBO (as defined in the Renewable Energy Directive and its Delegated Acts) located in the European Economic Area (EEA). EUR 0.2 billion are specifically targeted for suppliers to the maritime sector.

Deadline to apply 20 February 2025.

2. The [Innovation Fund Net Zero Technologies Call](#) ("[IF24 Call](#)") for regular grants will award EUR 2.4 billion. The IF24 Call covers the following five topics: General decarbonisation for large-scale, medium-scale, and small-scale projects, plus cleantech manufacturing and pilots.

Deadline to apply 24 April 2025.

3. The [IF24 Battery Call](#) has allocated EUR 1 billion for electric-vehicles battery cell manufacturing projects that demonstrate innovative technologies, processes, or products.

Deadline to apply 24 April 2025.

Clayton & Segura offers you advice to enhance your project's chances of success:

- Suitability assessment: finding out more about the opportunities in the Innovation Fund or whether your project idea fits into this funding programme.
- Compliance assessment: ensuring your project meets all requirements for eligibility, positioning you for success right from the start.
- End-to-end project support: in total, 337 projects applied in the IF23 call, 116 were excluded due to misapplications of the GHG methodology or project maturity, for instance due to missing documentation on offtake. Under the IF23 Auction, only six projects were able to sign a grant agreement.

Competent support in the preparation of the application is key to success. Clayton & Segura guides you throughout the whole application process, identifies the main features and award criteria that your project must comply with under the current funding opportunities and applies best practices from previous experiences.

Which projects are supported by the Innovation Fund?

Only projects that have not started at the time of application will be funded. In concrete terms, this means that construction work has not yet started and an initial legally binding commitment has not yet been made. Preparatory work such as the purchase of land, obtaining permits and carrying out preliminary feasibility studies may be initiated before the project starts.

What costs are eligible for the Innovation Fund? – Funding rates

The funding rates vary depending on whether it is a regular grant or an auction.

- Regular grants: The regular grant programme covers up to 60% of capital expenditure (CapEx) and operating expenditure (OpEx) less revenue for the first ten years of operation. Eligible costs are calculated using the "no reference plant" method as standard, or alternatively using the "reference plant" method in accordance with the calls for tenders. For regular grants, up to 40% of the grant can be given based on pre-defined milestones before the whole project is fully up and running.
- Competitive bidding (Auction): In the IF24 Auction, funding is provided in the form of a fixed premium on the price per kilogram of hydrogen produced for a period of up to ten years. This means that up to 100% of the relevant costs may be covered for the selected projects. For projects in the auction process, payments are only made during the operating or reporting period of the respective project.



Is co-financing possible?

Resources from the Innovation Fund will not be considered as state aid. To cover their remaining costs of a project, applicants can combine the Innovation Fund grant with other public subsidies.

What about AaaS launched in some Member States?

Member States can launch so-called [Auctions-as-a-Service](#) in parallel. Auctions-as-a-Service are a way for EEA Member States to allocate additional, national funds to projects that could not be awarded support under the Innovation Fund budget.

In addition to the EUR 1.2 billion in EU funding from the IF24 Auction, Spain, Lithuania and Austria announced financial support for the development of renewable hydrogen, up to EUR 836 million (in total).

Companies apply for funding under the Innovation Fund on the EU Tenders platform, and by taking part in the IF24 Auction the application is considered for the national AaaS of the participating Member States.

It is key to meet the eligibility criteria for the project to be ranked based on the bid prices. The funding will be allocated according to the ranking until the volume of EUR 1.2 billion has been exhausted. After that, the ranking list will be shortened and only projects from Austria, Spain or Lithuania will be able to receive funding from the responsible authorities in Austria, Spain and Lithuania on the basis of the AaaS mechanism of the Member State.

The amount of funding a project is permitted to receive will depend on the cumulative maximum amounts set in the applicable state aid rules.

Clayton & Segura can assist you to ensure state aid compliance.

IF 24 Auction for renewable hydrogen

What are the general eligibility criteria for the IF24 Auction?

The general eligibility criteria are set out in the auction:

- Location: within the EU/EEA (no virtual production).
- Installed capacity: min. 5 MWe, new capacity, single location (no virtual capacity pooling).
- Resilience criterion: projects must limit the sourcing of electrolyser stacks with surface treatment or cell unit production or stack assembly carried out in China to no more than 25% (in MWe) of the total electrolyser capacity as expressed in the bid.
- Off-takers: no restriction (general) / min. supply to maritime off-takers (maritime).
- Bid ceiling price: EUR 4/kg RFNBO Hydrogen.
- Maximum grant support period: 10 years.
- Maximum size of the bid: EUR 250 million (general) / EUR 200 million (maritime).

Are there any key implementation arrangements in the IF24 Auction?

The financial closure date must be completed within 2.5 years after signing the grant agreement. Within five years, the project must enter into operation. There is no payment upfront before that – afterwards, payments are on a biannual basis. In terms of production requirements, it is mandatory that the production does not fall under 30% of planned production for more than three rolling consecutive years. There will be ongoing compliance checks as to whether the criteria during implementation are met:

- monitoring of maritime off-takers
- resilience criteria
- and certification of 70% GHG savings on overall production.



Compliance with the resilience criteria is of particular importance.

What is this new resilience criterion about?

There are two parts of the new resilience requirement.

First, projects must limit the sourcing of electrolyser stacks with surface treatment or cell unit production or stack assembly carried out in China to not more than 25% (in MWe) to pass the requirement. Key to compliance is to provide the appropriate evidence. The implementation will be monitored.

Second, one must comply with ISO standards (ISO 22734:2019) and the cybersecurity plan. Key for compliance is to outline 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 (location of the server and server redundancy → all in the EEA!).

In addition to the ongoing risk of investigations due to existing rules such as the Foreign Subsidies Regulation, compliance with resilience is of the essence for the success of your project.

Award criteria – IF24 Auction

The detailed scoring and ranking methodology, as well as possible additional criteria for geographical and sectoral balance, are set in each call for proposals.

The IF24 Auction is a fixed-premium auction with a single stage (pay-as-bid). Projects applying are checked based on minimum qualification criteria (pass/fail qualification) and then ranked based on the auctioned price. Only the price will be hereby decisive for the ranking, i.e. the cost of production and the willingness to pay.

In addition to the application documents being complete (including a feasibility study, which is new in the IF24 Auction), the relevance and quality of the project are important.

Relevance (pass/fail criterion):

- Contribution to objectives of the call.
- Achieving security of supply of essential goods & contribution to Europe's industrial leadership & competitiveness.

Quality (pass/fail criterion):

- Technical/Financial/Operational maturity.

Furthermore, virtual capacity will not be accepted. The IF24 Auction funding is only foreseen for RFNBO hydrogen production. If the project entails the production of other hydrogen 70% GHG emissions must have been saved as a result of the production including the hydrogen that is not RFNBO.

Communication

The Commission has an [EU Innovation Fund Helpdesk](#). Each country has designated National Contact Points to ensure a first point of information at local level.

The Commission has published some [FAQs](#) on the Innovation Fund.

Clayton & Segura can assist you and liaise with European and national contact points putting at your disposal our trustful contacts.

Please do not hesitate to contact us.

In the coming days, we will debrief you about the two additional funding opportunities for the "[IF24 Call](#)" for technologies and cleantech and the [IF24 Battery Call](#).

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Clayton & Segura are state aid lawyers with more than 20 years of experience. At Clayton & Segura, we work exclusively in the field of state aid and provide comprehensive support to our clients.

Until next time, have a good start to 2025, and don't forget to contact us at info@claytonsegura.com for your favourite EU state aid newsletter!

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