



State Aid

Energy Technologies Institute LLP (“ETI”)

Scheme Reference Number: 525957

LEGAL BASIS

The legal basis for the Scheme is Section 2 or 5 of the Science and Technology Act 1965, The Engineering and Physical Science Research Council Royal Charter and the Technology Strategy Board Royal Charter.

OBJECTIVE

The objective of the Scheme is to accelerate the development, demonstration and commercial deployment of energy technologies in order to increase energy efficiency, reduce greenhouse gas emissions and help achieve energy and climate change goals. The Scheme aims at coordinating R&D efforts by the state and industry and addressing barriers to effective deployment of new energy technologies in the UK.

GENERAL PROVISIONS

The Scheme comprises the state (Secretary of State for Business, Innovation and Skills) and the leading international energy companies BP, Caterpillar, EDF, Rolls-Royce and Shell as members of a limited liability partnership incorporated in England under the Limited Liability Partnership Act 2000. Hitachi is a programme associate of the Scheme as part of the Scheme’s Smart Systems and Heat programme. The Scheme was established in 2007 and was intended to operate for an initial 10 year period (through until 31 December 2017). However, the members have now agreed that the Scheme should continue to operate until 31 December 2019.

Financial contributions from the state and the industry members form the core funding for the Scheme. The industry members will each make the same amount of capital contributions of up to GBP 5 million per year in 2016 and 2017 paid on a “pay as you go basis” i.e. on the basis of the actual Scheme expenditure. The core funding from the industry members will be matched by a corresponding amount of public funding in the form of a grant to ensure an overall 50:50 public-private funding ratio is met. In the two year period starting on 1 January 2018 and ending on 31 December 2019, the maximum amount of core funding available to the Scheme will be the difference between the maximum amount of core funding available to the Scheme in the years 2016 and 2017 less the amounts actually spent by the Scheme in the years 2016 and 2017. Accordingly, in total, the maximum amount of core funding available to the Scheme in the period starting on 1 January 2016 and ending on 31 December 2019 is GBP 100 million.

The matching public funding of the Scheme will be ensured at the aggregate level of the Scheme. The actual amount of public funding from the Scheme for each project will depend upon the nature of the funded R&D activity and, where it constitutes State Aid, be subject to the maximum aid intensities and relevant provisions of the R&D&I Framework.

The Scheme received confirmation from the Commission in June 2008 that the Scheme was in line with the Community Framework for State Aid for Research and Development and Innovation (then in force) and was compatible with the common market pursuant to Article 87(3) (c) of the EC Treaty.

The Scheme engages in three main categories of activity: funding R&D, ensuring effective exploitation of Arising IP and engaging in socio-economic analysis and the development of regulatory frameworks. In broad terms, the primary activity of the Scheme is to develop new energy technologies by defining strategic research targets, selecting and funding research projects, monitoring and supporting project implementation (including exploitation of project outputs) and providing guidance to ensure relevance to the Scheme's objectives.

The recipients of the Scheme's funding are expected to be research consortia consisting of enterprises (SME's and large companies), universities and other organisations in the UK or worldwide. As such, State Aid can be awarded to enterprises of all sizes. The Scheme funding is not restricted geographically. No potential beneficiaries will receive State Aid who are the subject of an outstanding recovery order by the Commission. State Aid to undertakings in difficulty within the meaning of the Community Guidelines on State Aid for rescue and restructuring undertakings in difficulty is excluded.

The Scheme will use open, transparent and competitive processes to procure the projects the Scheme wishes to fund (using, where appropriate, independent expert to support the procurement activities). The Scheme may choose to fund all of the costs of a particular project or, alternatively, the costs of a particular project could be met by contributions from both the Scheme and some or all of the participants in the research consortia selected to deliver the particular project. The terms and conditions under which the Scheme will make funding available will be negotiated on a project by project basis.

The creation, protection and exploitation of Arising IP (i.e. IP arising from the conduct of a project funded in whole or in part by the Scheme) is key to the achievement of the Scheme's objectives. The members of the Scheme have agreed a set of principles governing how IP created from projects funded by the Scheme should be owned, protected and exploited and, in negotiating project contracts with the selected research consortia, the Scheme will look to negotiate the most appropriate arrangements for the Arising IP (and associated Background IP) in a manner consistent with the principles established by the Scheme's members.

For some projects, it is expected that the Scheme (or the participants in the selected research consortia for a particular project) will publish some or all of the results arising from such projects. For other projects, alternative mechanisms to support the exploitation of the results from a particular project (and the Arising IP) will be used.

The Scheme is required to provide annual returns to the UK Government detailing the State Aid provided under the Scheme and to maintain detailed records regarding that State Aid. Such records must contain all of the information necessary to establish that the relevant conditions laid down in the Regulation have been fulfilled. Records must be maintained for at least 10 years from the date on which the State Aid was granted. The information which must be provided to the Scheme and/or retained by the recipients of the State Aid will be set out in the contract between the Scheme and the recipient(s) of the State Aid.

The Scheme (including, where appropriate, with the support of independent experts) will ensure the objective assessment of the incentive effect for each beneficiary in a project.

The Scheme will ensure compliance with the cumulation rules. All sources of public funding shall be taken into account when considering cumulation to ensure that any relevant State Aid intensities and/or maximum State Aid amounts are not exceeded.

State Aid for research and development and innovation funded by the Scheme will be provided in line with Section 4 of the Regulation.

Further details relating to how the Scheme operates and the work of the Scheme since 2007 can be found at www.eti.co.uk.