**Enterprise Emissions Reduction Investment Fund - IDA Ireland**

1. **Background**

# The Climate Action and Low Carbon Development (Amendment) Act 2021 commits to a 51% reduction in greenhouse gases (GHGs; carbon dioxide, methane, and nitrous oxide) by 2030, and, in Ireland becoming a climate neutral zero economy by no later than 2050, in line with our international and EU obligations. The Act provides a strengthened statutory framework around climate action, which includes economy-wide carbon budgets, annual climate action plans, and long-term climate action strategies.

In 2018, the enterprise sector accounted for 12.7%[[1]](#footnote-2) (7.9 MtCO2eq) of Ireland’s total greenhouse gas emissions, and, as part of the Climate Action Plan, the goal is to reduce emissions by between 29-41% by 2030. Significant investment is required to reduce the enterprise sector’s emissions reduction and assistance to companies will be necessary in the post pandemic period to make investments in carbon abatement solutions, whilst also contributing to meeting our national and international climate commitments to 2030.

Decarbonisation of industrial activities in the enterprise sector is a transformation process and will require significant upfront investments and, in some cases increased operating costs. Currently, investment in climate action is seen by many enterprises as discretionary spend. In addition, these investments often do not meet the investment pay back criteria for companies. Assistance in the form of grants will therefore be necessary to make investments commercially viable for many companies.

A 2020 study[[2]](#footnote-3)commissioned by Department of Enterprise, Trade & Employment (DETE) identified that the most effective approach to reducing emissions in the enterprise manufacturing sector is to target the highest users of fossil fuels, and provide grant aid, to reduce the payback periods associated with investments in carbon abatement solutions.

The Government has made available €30 million between 2022-2026 under the National Recovery & Resilience Fund to assist companies to decarbonise.

1. **Objectives**

The Enterprise Emissions Reduction Investment Fund will focus on companies using fossil fuels and incentivise them to adopt carbon abatement technologies in the manufacturing combustion process of their businesses. Emissions from the manufacturing combustion process accounts for 4.7 MtCO2eq., or 7.8% of total Irish emissions in 2018, and according to the DETE study, without the adoption of carbon abatement technologies emissions are estimated to increase to 5.3 MtCO2eq. by 2030.

The project will address the imperative for decarbonisation across all businesses, particularly those SMEs that are unaware of their carbon footprint and will accelerate action on potential cost savings and abatement by incentivising the installation of Energy Metering and Monitoring Control Systems, increased uptake of carbon neutral low/medium temperature heating in industry and increased climate related R&D.

The Enterprise Emissions Reduction Investment Fund will contribute specifically to the Climate Action Plan 2021 measure of increasing the amount of carbon neutral heating to 50% and 60% of total fuel demand in sectors that use low temperature in their manufacturing combustion. The estimated required emissions reduction to achieve this is c. 400,000 tons of CO2 eq.

The Enterprise Emissions Reduction Investment Fund provides funding for capital grant investment and RD&I, with three funding tracks. These are:

* Track 1: Capital investment for decarbonisation processes
* Track 2: Capital investment for Energy Monitoring & Tracking (EM & T) Systems
* Track 3: Research, development and innovation to facilitate emissions reductions (e.g., development of new low carbon products, processes and business models).

This document relates to **Funding track 1 - Capital investment for decarbonisation processes.**

The objectives of this funding track are:

* Reduce the payback period of key carbon reducing technologies at plant level by incentivising companies to invest in, and adopt these technologies
* Increase the resilience of companies to climate change and assist them to accelerate progress towards a net carbon zero pathway

1. **Legal and State Aid Basis**

Enterprise Ireland, IDA Ireland and Údarás na Gaeltachta shall be granting authorities for the Enterprise Emissions Reduction Investment Fund. The fund is to be administered under the powers set out in Section 7 (1) (i) of the Industrial Development (Enterprise Ireland) Act 1998), Section 8(c) of the Industrial Development Act, 1993 (amended by section 37 of the Industrial Development (Forfás Dissolution) Act 2014), and Section 10 of the Údarás na Gaeltachta Act, 1979.

The operation of this fund is subject to the conditions laid out in Articles 36, 38 and 40 of the General Block Exemption Regulation for 2014-2020, published in Official Journal No 57, 26th June 2014, Commission Regulation (EU) No 651/2014.

1. **Fund Overview**

Budget

Enterprise Ireland (EI), Údarás na Gaeltachta and IDA Ireland will administer the Enterprise Emissions Reduction Investment Fund for their respective clients. The total budget for the fund is €30 million. The budget will be shared between the two agencies, with a projected 50% split (i.e., Enterprise Ireland will allocate up to €15m of the Enterprise Emissions Reduction Investment Fund to its clients, and to clients of Údarás na Gaeltachta).

The projected budget for **Funding track 1 - Capital investment for decarbonisation processes** is €26 million.

Eligible Costs:

Grant aid will be provided against the **eligible costs** of the project. Eligible costs are the **extra investment costs** in a project required to go beyond EU standards for environmental protection, to increase the level of environmental protection in the absence of EU standards or to achieve a higher level of energy efficiency.

Grant aid intensity is calculated as a % of the eligible costs of the projects, and will be as follows:

|  |  |
| --- | --- |
| Small Enterprise | Up to 50% of eligible costs |
| Medium Enterprise | Up to 40% of eligible costs |
| Large Enterprise | Up to 30% of eligible costs |

Min and Max grant aid

Funding will be in the form of a grant, with minimum grant aid of €20,000.

Call basis

The fund will operate on an open call basis. It will remain open to applications until 1st October 2025, or until such time as the budget is exhausted, whichever date is earlier. Investment shall be completed by no later than 31 August 2026.

There is a set amount of funding available under this scheme and therefore, it may not be possible to award aid to all eligible projects.

1. **Eligible Undertakings**

The Enterprise Emissions Reduction Investment Fund will target both indigenous and foreign-owned manufacturing enterprises with a particular focus on companies with higher emissions. Eligible companies under the fund will be IDA Ireland, EI and Údarás na Gaeltachta clients operating in the manufacturing sector.

1. **Ineligible Undertakings**

The following undertakings are deemed ineligible to apply:

* Undertakings which are subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market (Deggendorf ruling).
* Undertakings in difficulty[[3]](#footnote-4).
* Undertakings having still at their disposal an earlier unlawful or incompatible aid.

1. **Eligible Projects**
   1. State Aid eligibility requirements

Eligible projects are subject to the conditions set out in Articles 36, 38 and 40.

* + 1. Article 36: Investment aid enabling undertakings to go beyond Union standards for environmental protection or to increase the level of environmental protection in the absence of Union standards.
* Aid shall not be granted where investments are taken to ensure that undertakings comply with Union standards.
* The aid shall fulfil one of the following conditions: -
* it will increase the level of environmental protection by going beyond Union standards irrespective of the presence of mandatory standards that are more stringent than Union standards; or
* it will increase the level of environmental protection in the absence of Union standards.
* The eligible costs shall be the extra investment costs which are directly linked and necessary to the achievement of going beyond Union standards or the increase of environmental protection in the absence of Union standards.
  + 1. Article 38: Investment aid for energy efficiency measures
* Aid shall not be available to ensure that undertakings comply with Union standards already adopted even if they are not in force.
* The eligible costs shall be the extra investment costs necessary and directly linked to the achievement of the highest level of energy efficiency.
  + 1. Article 40: Investment aid for high-efficiency cogeneration
* Investment aid for high-efficiency cogeneration shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.
* The investment aid shall be granted in respect of newly installed or refurbished capacities only.
* The new cogeneration unit shall provide overall primary energy savings compared to separate production of heat and electricity as provided for by Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.
* The improvement of an existing cogeneration unit or conversion of an existing power generation unit into a cogeneration unit shall result in primary energy savings compared to the original situation.
* The eligible costs shall be the extra investment costs for the equipment needed for the installation to operate as a high-efficiency cogeneration installation, compared to conventional electricity or heating installations of the same capacity or the extra investment cost to upgrade to a higher efficiency when an existing installation already meets the high-efficiency threshold.
* For climate change mitigation and biodiversity, assurance shall be provided that biomass meets the sustainability and greenhouse gas emission savings criteria set out in Articles 29-31 and the rules on food and feed-based biofuels set out in Article 26 of the Renewable Energy Directive 2018/2001/EU (REDII), and related implementing and delegated acts.
* For pollution prevention and control, in residential environments, compliance with air quality standards set by Directive 2008/50/EU shall be ensured and the facility shall comply with the applicable BAT (Best Available Technologies) conclusions under the Industrial Emissions Directive (Directive 2010/75/EU). Only high efficiency, eco-design compliant boilers shall be assisted.
  1. Eligible Projects

Projects must also meet the eligibility criteria set out under the National Recovery and Resilience Plan for the Enterprise Emissions Reduction Investment Fund. The following projects are deemed eligible:

* Projects that are deemed to be significant capital investments in carbon abatement technologies and will result in a demonstrable reduction in carbon emissions.
* Projects that adhere to the Do No Significant Harm principles outlined in the guidance by the EU Commission (Appendix 1).
* Projects that are capable of meeting the objectives of this scheme, as set out in this document.
* Projects that are in full compliance with National and EU legislative and regulatory environmental requirements and standards.
* Projects that have not also been approved for or are in receipt of other national or EU grant funding.
* Projects that have been technically assessed for site suitability and evidence confirming same.

1. **Do No Significant Harm Compliance**

Activities that do not adhere to the Do No Significant Harm Principle as outlined in NRRF agreement with the EU Commission:

* The Fund will not be used to provide assistance to implement of fossil fuel related technologies;
* The Fund will not be used to provide assistance that will negatively impact on people, nature or assets;
* The Fund will not be used to provide assistance that will negatively impact on the sustainable use and protection of marine resources;
* The Fund will not be used to assist investments that will lead to significant inefficiencies in the use of materials or natural resources and the Fund will not lead to increased use of waste or inefficient use of waste;
* The Fund will not be used to assist investments that will lead to increased pollution in air, water, or land. The Fund will not be used to assist investments that will lead to the harm of efforts to protect and restore biodiversity and ecosystems. The fund will not lead to investments that will be detrimental to the conservation status of habitats and species, including those of Union interest.

The following activities of a project are deemed ineligible:

* Activities related to fossil fuels, including downstream use
* Activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks
* Activities related to waste landfills, incinerators, and mechanical biological treatment plants
* Activities where the long-term disposal of waste may cause harm to the environment
* Activities that do not comply with relevant EU and national environmental legislation

1. **Levels of assistance available and minimum and maximum project costs**

Levels of grant aid and maximum grant aid are as follows:

|  |  |
| --- | --- |
| **Undertaking/ Type** | **Grant Aid (% of eligible costs)** |
| Large | 30 |
| Medium | 40 |
| Small | 50 |

The minimum grant for a project will be €20,000.

1. **Technological Solutions**

The following is a list of potential technologies eligible:

* Industrial Heat Pumps (including air, water, and ground source)
* Electric steam boilers
* Heat recovery technologies
* Mechanical Vapor Recompression (MVR) evaporators
* Biomass boilers[[4]](#footnote-5)

**Note:**

The above list is not exhaustive, and each application will be assessed and considered on a case-by-case basis. Each applicant will have to provide a technical assessment to show suitability of the carbon abatement technology in their manufacturing combustion process and to ensure alignment with national policy.

1. **Application Process – IDA Ireland**

Following discussions with its Project Executive a company will submit a request for aid form and an application form. IDA Ireland will assess the technical, commercial and financial merits of the project with the following information:

* A request for aid form
* A business proposal which will address the evaluation criteria set out below
* An independent technical assessment of the project including an assessment of the forecasted emissions reductions
* The corporate and Irish operation’s audited financial statements

1. **Evaluation criteria**

The following are the criteria that will be used to assess eligible projects forthcoming for funding:

|  |
| --- |
| **Evaluation Criteria** |
| 1 Current corporate climate action plan |
| 2. Expected environmental benefits and reduction in CO2 arising from the project |
| 3. Project alignment with company future competitiveness strategy |
| 4. Leadership & management |
| 5.Financial robustness |

**Explanation of the Criteria:**

1. **Corporate Climate Action Plan**

* A short description of corporate level approach to environmental sustainability
* Applicant’s current environmental strategy, including where possible, an outline of the company's current environmental impact and actions taken to date to reduce environmental impact.
* Where available, evidence of Science Based Targets or absolute carbon emission reduction targets that are in place should be provided.

2. **Expected environmental benefits and reduction in CO2 arising from the project**

* The expected environmental impacts of the project that is the subject of this application will be required, with project-specific supporting data including forecasted levels of annualised energy use and GHG emissions
* Baseline annual energy use and GHG emissions for the assisted activities will be required
* Eligible projects will be required to demonstrate an expected reduction of a minimum of 10% in C02 emissions over a 3-year period

**3. Project alignment with company strategy on competitiveness**

* Applications will be required to demonstrate that investment is strategic for the enterprise and will drive long term competitiveness

**4. Leadership and management**

* Outline the leadership and management competency to deliver including senior management track record and experience and drivers of future mandate expansion.

5. **Financial robustness**

* Enterprise has a satisfactory financial track record.

1. **Assessment and Approvals Process**

Eligible IDA Ireland client applications will be assessed by the agency approving committee. Project assessment will include commercial, financial, and technical assessments prepared by relevant personnel from IDA Ireland and external technical experts. The technical assessment will address the following:

* Will the project proposed deliver a defined and measurable reduction in carbon compared to the existing manufacturing combustion process?

1. **Date of Eligibility of costs**

It is important to note that only expenditure incurred after the date of approval by IDA committee may be deemed eligible for assistance.

1. **Post Approval Stage**

If the proposal is approved by IDA Ireland’s approving committee, a legal contract will be negotiated between IDA Ireland and the company. Once the contract has been completed, executed and exchanged the company is required to follow its terms and conditions including completion of the investment in material compliance with the contract.

1. **Project Implementation**

Projects must be carried out as approved and agreed in the legal agreement. If a time extension or reallocation is requested, written submission for the approval must be sought by the company in advance. There is no guarantee that a request for a time extension or reallocation will be approved. If a project does not proceed in line with the approval this client can’t claim, and the project will be cancelled.

1. **Claims Process**

Details relating to grant claims can be found at the bottom of the page here: [*https://www.idaireland.com/corporate-governance*](https://www.idaireland.com/corporate-governance)

Inspection on grant claims is carried out twice over the timeframe of the project. Once at 50% claim stage and once at 100%. Payment is conditional on compliance with all conditions in the grant agreement. All claims against approvals over €30k must be supported by an Independent Accountant which must comply with the M45 Statement.

1. **Withdrawal of Aid**

Approval for grant aid may be withdrawn if the applicant fails to abide by the terms of the grant agreement or in the event of any material change in the circumstances of the applicant or of the business or in any other respect which would be in conflict with the terms or the spirit of the fund. In such an event all or such portion of aid given or to be given shall be reimbursed or withheld**.**

1. **Information and Publicity & Updates to Documentation**

IDA Ireland has a statutory obligation of confidentiality to its clients and will not disclose any information except as required by law.

In compliance with the European State Aid Transparency Framework, IDA Ireland must publish details of grant aid awarded of over €500,000. Publication occurs six months from the date of signing of the legal agreement with IDA. Details are published on an EU State Aid website.

* That the following details will be published:
* Irish Company Name
* NACE Sector
* Region at NUTS II Level
* Company Size
* Grant Amount

1. **Legal Provisions, Consents, etc.**

All works shall be carried out in accordance with the provisions of all relevant statutes, regulations and byelaws, and the onus of obtaining all consents, permissions, etc. including planning permission, consent to entry on, or interference with, land, other property or right of any other person or persons, rests on the company.

**Annex 1: Do No Significant Harm Principal**

* The Fund will not be used to provide assistance to implement fossil fuel related technologies;
* The Fund will not be used to provide assistance that will negatively impact on people, nature or assets;
* The Fund will not be used to provide assistance that will negatively impact on the sustainable use and protection of marine resources;
* The Fund will not be used to assist investments that will lead to significant inefficiencies in the use of materials or natural resources and the Fund will not lead to increased use of waste or inefficient use of waste;
* The Fund will not be used to assist investments that will lead to increased pollution in air, water, or land. The Fund will not be used to assist investments that will lead to the harm of efforts to protect and restore biodiversity and ecosystems. The fund will not lead to investments that will be detrimental to the conservation status of habitats and species, including those of Union interest.

1. Climate Action Plan, Department of the Environment, Climate and Communications, November 2021 [↑](#footnote-ref-2)
2. Analysis of CO2 Emissions in the Irish Enterprise Sector Toward Zero Carbon Michael Casey, July 2021 [↑](#footnote-ref-3)
3. https://data.consilium.europa.eu/doc/document/ST-11046-2021-ADD-1/en/pdf [↑](#footnote-ref-4)
4. For climate change mitigation and biodiversity, assurance shall be provided that biomass meets the sustainability and greenhouse gas emission savings criteria set out in Articles 29-31 and the rules on food and feed-based biofuels set out in Article 26 of the Renewable Energy Directive 2018/2001/EU (REDII), and related implementing and delegated acts.

   (ii) For pollution prevention and control, in residential environments, compliance with air quality standards set by Directive 2008/50/EU shall be ensured and the facility shall comply with the applicable BAT (Best Available Technologies) conclusions under the Industrial Emissions Directive (Directive 2010/75/EU). Only high efficiency, eco-design compliant boilers shall be assisted. [↑](#footnote-ref-5)