



Llywodraeth Cymru  
Welsh Government

## GUIDANCE

# **GBER legacy subsidy scheme: Welsh Government environmental protection scheme**

State aid reference no: SC10178. The following scheme provides the legal cover for award of support inline with the General Block Exemption Regulation. The scheme does not provide any additional funding or budget.

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# **1. Member State**

United Kingdom

# **2. Region**

Wales

# **3. Title of aid scheme**

Welsh Government Aid for Environmental Protection Scheme

# **4. UK legal basis**

Powers of the Welsh Ministers which allow the Welsh Government to support enterprises under the Scheme are contained in:

- the Welsh Development Agency Act 1975 (section 1) (as amended)
- the Housing Grants, Construction and Regeneration Act 1996 (section 126), and
- The Industrial Development Act 1982 (section 7).

The legislation which gives effect to EC Law in Wales is:

- the European Communities Act (1972) (section 2(1)) and
- the Government of Wales Act 2006 (section 80).

## 5. EC legal basis

All aid provided under this Scheme will be within the limits set out in Articles 36 to 41, 43 and 45 to 49 of Commission Regulation (EU) No 651/2014 of 17 June 2014 and amended by Commission Regulation (EU) No. 2017/1084 of 14 June 2017 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation).

[Full version of the regulation](#) on EUR-Lex

[Full version of the amending regulation](#) on EUR-Lex

Summary information relating to the scheme has been registered with the Commission under reference SA.60349.

## 6. Definitions

In this scheme, the following expressions have the same meaning attributed to them as in the General Block Exemption. For ease of reference these have been replicated below:

### **Assisted area**

Means any of the regions in Wales designated as s107 (3) (a) or 107 (3) (c) area as identified in the UK Regional Aid Map 2014-2020 (SA.38113 (2014/N)). Further information can be found at Annex 1.

### **Balancing responsibilities**

Means responsibility for imbalances (deviation between generation, consumption and commercial transactions) of a market participant or its chosen representative, referred to as the 'Balance Responsible Party' within a given period of time, referred to as the 'Imbalance Settlement Period'.

## **Biofuel**

Means liquid or gaseous fuel for transport produced from biomass.

## **Biomass**

Means the biodegradable fraction of products, waste and residues from agriculture (including vegetal and animal substances), forestry and related industries including fisheries and aquaculture, as well as biogases and the biodegradable fraction of industrial and municipal waste.

## **Cogeneration or combined heat and power (CHP)**

Means the simultaneous generation in one process of thermal energy and electrical and/or mechanical energy.

## **Contaminated site**

Means a site where there is a confirmed presence, caused by man, of hazardous substances of such a level that they pose a significant risk to human health or the environment taking into account current and approved future use of the land.

## **Date of granting the aid**

Means the date when the legal right to receive the aid is conferred on the beneficiary under the applicable national legal regime.

## **Energy efficiency**

Means an amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy-efficiency

improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption.

## **Energy efficiency fund (EFF)**

Means a specialised investment vehicle set up for the purpose of investing in energy efficiency projects aimed at improving the energy efficiency of buildings in both the domestic and non-domestic sectors. EFFs are managed by an energy efficiency fund manager.

## **Energy efficient district heating and cooling**

Means district heating and cooling which satisfies the definition of efficient district heating and cooling system set out in Article 2(41) and (42) of Directive 2012/27/EU. The definition includes the heating/cooling production plants and the network (including related facilities) necessary to distribute the heat/cooling from the production units to the customer premises.

## **Energy from renewable energy sources**

Means energy produced by plants using only renewable energy sources, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources.

## **Energy infrastructure**

Means any physical equipment or facility which is located within the Union or linking the Union to one or more third countries and falling under the following categories:

- a. concerning electricity:
  - a. infrastructure for transmission, as defined in Article 2(3) by Directive 2009/72/EC of 13 July 2009 concerning common rules for internal market in electricity

- b. infrastructure for distribution, as defined in Article 2(5) by Directive 2009/72/EC
  - c. electricity storage, defined as facilities used for storing electricity on a permanent or temporary basis in above-ground or underground infrastructure or geological sites, provided they are directly connected to high-voltage transmission lines designed for a voltage of 110 kV or more
  - d. any equipment or installation essential for the systems defined in points (i) to (iii) to operate safely, securely and efficiently, including protection, monitoring and control systems at all voltage levels and substations, and
  - e. smart grids, defined as any equipment, line, cable or installation, both at transmission and low and medium voltage distribution level, aiming at two-way digital communication, real-time or close to real-time, interactive and intelligent monitoring and management of electricity generation, transmission, distribution and consumption within an electricity network in view of developing a network efficiently integrating the behaviour and actions of all users connected to it - generators, consumers and those that do both - in order to ensure an economically efficient, sustainable electricity system with low losses and high quality and security of supply and safety.
- b. concerning gas:
- a. transmission and distribution pipelines for the transport of natural gas and bio gas that form part of a network, excluding high-pressure pipelines used for upstream distribution of natural gas
  - b. underground storage facilities connected to the high-pressure gas pipelines mentioned in point (i)
  - c. reception, storage and regasification or decompression facilities for liquefied natural gas ('LNG') or compressed natural gas ('CNG'), and
  - d. any equipment or installation essential for the system to operate safely, securely and efficiently or to enable bi-directional capacity, including compressor stations.
- c. concerning oil:
- a. pipelines used to transport crude oil
  - b. pumping stations and storage facilities necessary for the operation of crude oil pipelines, and
  - c. any equipment or installation essential for the system in question to operate properly, securely and efficiently, including protection, monitoring



and control systems and reverse-flow devices.

- d. concerning CO<sub>2</sub>: networks of pipelines, including associated booster stations, for the transport of CO<sub>2</sub> to storage sites, with the aim to inject the CO<sub>2</sub> in suitable underground geological formations for permanent storage.

## **Environmental Protection**

Means any action designed to remedy or prevent damage to physical surroundings or natural resources by a beneficiary's own activities, to reduce risk of such damage or to lead to a more efficient use of natural resources, including energy-saving measures and the use of renewable sources of energy.

## **Environmental tax**

Means a tax with a specific tax base that has a clear negative effect on the environment or which seeks to tax certain activities, goods or services so that the environmental costs may be included in their price and/or so that producers and consumers are oriented towards activities which better respect the environment.

## **Fisheries and aquaculture sector**

As covered by Regulation (EU) 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council regulations (EC) 1184/2006 and (EC) 1224/2009 and repealing council regulation (EC) 104/2000.

## **Food-based biofuel**

Means a biofuel produced from cereal and other starch rich crops, sugars and oil crops as defined in the Commission's Proposal for a Directive of the European Parliament and of the Council amending Directive 98/70/EC relating to the quality of petrol and diesel fuels and amending Directive 2009/28/EC on the

promotion of the use of energy from renewable resources.

## **High-efficiency cogeneration**

Means cogeneration which satisfies the definition of high-efficiency cogeneration as set out in Article 2(34) of Directive 2012/27/EU.

## **Internal energy market legislation**

Includes Directive 2009/72/EC of 13 July 2009 concerning common rules for the internal market in electricity, Directive 2009/73/EC of 13 July 2009 concerning common rules for the internal market in natural gas, Regulation (EC) No 713/2009 of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators; Regulation (EC) No 714/2009 of 13 July 2009 on conditions for access to the network for cross-border exchanges and Regulation (EC) No 715/2009 of 13 July 2009 on conditions for access to the natural gas transmission networks or any subsequent legislation replacing these acts in full or in part

## **Large enterprise**

Means any enterprise that is not an SME as defined in in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises ([2003/361/EC](#)), which took effect on 1 January 2005.

## **New and innovative technology**

Means a new and unproven technology compared to the state of the art in the industry, which carries a risk of technological or industrial failure and is not an optimisation or scaling up of an existing technology.

## **Non-assisted areas**

Means any region in Wales not designated as an assisted area.

## **Operating profit**

Means the difference between the discounted revenues and the discounted operating costs over the economic lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment aid. Discounting revenues and operating costs using an appropriate discount rate allows a reasonable profit to be made.

## **Polluter**

Means someone who directly or indirectly damages the environment or who creates conditions leading to such damage.

## **Polluter Pays Principle or 'PPP'**

Means that the costs of measures to deal with pollution should be borne by the polluter who causes the pollution.

## **Pollution**

Means the damage caused by a polluter directly or indirectly damaging the environment, or by creating conditions leading to such damage to physical surroundings or natural resources.

## **Preparing for re-use**

Means checking, cleaning or repairing recovery operations, by which products or components of products that have become waste are prepared so that they can be re-used without any other pre-processing.

## **Recycling**

Means any recovery operation by which waste materials are reprocessed into products, materials or substances whether for the original or other purposes. It includes the reprocessing of organic material but does not include energy recovery and the reprocessing into materials that are to be used as fuels or for backfilling operations.

## **The Regional Aid Map**

Means the map approved by the Commission for the UK and published in accordance with paragraph 101 of the Guidelines on National Regional Aid for 2013-2020 (2006/C 54/08) – SA. 38113 (2014/N).

## **Renewable energy sources**

Means the following renewable non-fossil energy sources: wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases.

## **Repayable advance**

Means a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend upon the outcome of the project.

## **Re-use**

Means any operation by which products or components that are not waste are used again for the same purpose for which they were conceived.

## **Small and medium-sized enterprises**

Means an enterprise that falls within the criteria and parameters of the definition of micro, small and medium-sized enterprises contained in the [Commission Recommendation of 6 May 2003](#) concerning the definition of micro, small and medium-sized enterprises (2003/361/EC), which took effect on 1 January 2005 (see also the [New SME Definition User Guide and Model Declaration](#)).

## **Standard balancing responsibilities**

Means non-discriminatory balancing responsibilities across technologies which do not exempt any generator from those responsibilities.

## **Start of works**

Means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs 'start of works' means the moment of acquiring the assets directly linked to the acquired establishment.

## **State of the art**

Means a process in which the re-use of a waste product to manufacture an end product is economically profitable normal practice. Where appropriate, the concept of state of the art must be interpreted from a Union technological and internal market perspective.

## **Sustainable biofuel**

Means a biofuel fulfilling the sustainability criteria set out in Article 17 of Directive 2009/28/EC of the European Parliament and the Council on the promotion of the

use of energy from renewable sources and any amendment thereof.

## **Total levelised costs of producing energy**

Is a calculation of the cost of generating electricity at the point of connection to a load or electricity grid. It includes the initial capital, discount rate, as well as the costs of continuous operation, fuel, and maintenance.

## **Undertaking in difficulty**

Means an undertaking in respect of which at least one of the following circumstances occurs:

- a. In the case of a limited liability company (other than an SME that has been in existence for less than 3 years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, "limited liability company" refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU<sup>34</sup> and "share capital" includes, where relevant, any share premium.
- b. In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than 3 years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, "a company where at least some members have unlimited liability for the debt of the company" refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.

- c. Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- d. Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.
- e. In the case of an undertaking that is not an SME, where, for the past 2 years:
  - a. the undertaking's book debt to equity ratio has been greater than 7,5 and
  - b. the undertaking's EBITDA interest coverage ratio has been below 1,0.

## **Union minimum tax level**

Means the minimum level of taxation provided for in the Union legislation; for energy products and electricity it means the minimum level of taxation laid down in Annex I to Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity.

## **Union standard**

Means:

- a. A mandatory Union standard setting the levels to be attained in environmental terms by individual undertakings, or
- b. The obligation under Directive 2010/75/EU of the European Parliament and of the Council to use the best available techniques (BAT) and ensure that emission levels of pollutant are not higher than they would be when applying BAT. For the cases where emission levels associated with the BAT have been defined in implementing acts adopted under Directive 2010/75/EU, those levels will be applicable for the purpose of this Regulation: where those levels are expressed as a range, the limit where the BAT is first achieved will be applicable.

## **7. Objective of the scheme**

To enable the Welsh Government to support investment which will contribute to its sustainable development policy by increasing the level of environmental protection in Wales, in particular to:

- Protect and enhance the environment across Wales
- Combat climate change
- Promote sustainable energy production through the use of microgeneration, renewable energy generation and biomass.
- Promote energy and resource efficiency to encourage sustainable consumption
- Promote lower embodied energy in goods and services constructed, manufactured or delivered in Wales to encourage a lower ecological footprint

## **8. Government body authorised to implement the scheme**

Welsh Government

## **9. Scope of the scheme**

The scheme will be open to all enterprises in Wales excluding those active in the following sectors

- Fisheries and aquaculture
- The processing and marketing of agricultural products where (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned or (2) where the aid is conditional on being partly or entirely passed on to primary producers.

Where an undertaking is active in both an excluded sector and a non-excluded sector, aid may be given to fund non-excluded activities with the condition that



activities in the excluded sector do not benefit from aid granted under this scheme.

In addition, aid will not be allowed in the following circumstances:

- Aid to export related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity
  - Aid to facilitate the closure of uncompetitive coal mines, as covered by Council Decision No 2010/787
  - Where aid is subject to the obligation for the beneficiary to have its headquarters in the relevant Member State or to be predominantly established in that Member State
  - Where the granting of aid is subject to the obligation for the beneficiary to use nationally produced goods or services
  - Aid contingent upon the use of domestic over imported goods
  - Where the aid measure restricts the possibility for the beneficiaries to exploit the research, development and innovation results in other Member States.
- Aid may not be given where the proposed recipient is:
- Subject to an outstanding order for the recovery of aid granted in the same Member State which has been declared by the Commission to be illegal and incompatible with the common market, or
  - Where aid is granted to an undertaking in difficulty.

## **10. Duration of the scheme**

Aid under this scheme may be granted until 31 December 2026. This scheme, registered under the General Block Exemption Regulation, will supersede the current Welsh Government Aid for Environmental Protection Scheme SA.49638.

## **11. Budget for aid under the scheme**

Although there is no defined budget for aid under this scheme, it has been estimated that the total expenditure will be in the region of £100 million.

## **12. Form of aid**

All aid awarded under the scheme will be transparent and in line with criteria set out in Article 5 of the General Block Exemption Regulation. Aid may be awarded by way of:

- Grants (capital and revenue)
- interest rate subsidies
- loans
- repayable advances, and
- guarantees.

## **13. Eligible activities to be supported under the scheme**

The scheme supports environmental protection activities. Detailed descriptions of the eligible activities that can be supported are set out in Schedules 1 to 12

- Schedule 1: 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
- Schedule 2: Investment aid for early adaptation to future Union standards
- Schedule 3: Investment aid for energy efficiency measures
- Schedule 4: Investment aid for energy efficiency projects in buildings
- Schedule 5: Investment aid for high-efficiency cogeneration
- Schedule 6: Investment aid for the promotion of energy from renewable sources
- Schedule 7: Operating aid for the promotion of energy from renewable sources in small scale installations

- Schedule 8: Investment aid for remediation of contaminated sites
- Schedule 9: Investment aid for energy efficient district heating and cooling
- Schedule 10: Investment aid for waste recycling and re-utilisation
- Schedule 11: Investment aid for energy infrastructure
- Schedule 12: Aid for environmental studies.

## **14. Incentive effect**

Aid recipients must demonstrate that the aid is required for projects to proceed by submitting a written application before work on the project activity has started. The application will as a minimum contain the following information:

- a. Name and size of the undertaking receiving aid
- b. Description of the project, including its start and end dates
- c. Location of the project
- d. List of project costs
- e. Form of and amount of public funding needed for the project.

## **15. Cumulation**

In determining whether the individual notification thresholds and the maximum aid intensities are respected, the total amount of State aid for the aided activity or project or undertaking shall be taken into account.

Aid provided under this scheme will not be cumulated with other forms of aid nor with aid classed as de minimis aid in regard to the same eligible costs if the result would breach the applicable aid intensities.

A mechanism is in place as part of the application process to ensure that cumulation of aid does not exceed the maximum allowable aid intensities of the Scheme. Due diligence checks will be carried out during the awarding process.

## 16. Monitoring and reporting requirements

All recipients of aid under the scheme will be informed that aid has been provided under the scheme, registered under SC10178 pursuant to Articles 3641, 43 and 45-49, of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation).

Records will be kept for 10 years from the date the last award of aid under the scheme. Records will be sufficiently detailed to establish that the conditions of the scheme are met.

Details of any award exceeding €500,000 given under this scheme will be made publicly available via a State aid website within 6 months of granting.

An annual report on the expenditure under this scheme will be provided to the Commission.

The Welsh Government shall provide the Commission with all the information and documentation the Commission considers necessary to monitor the application of this Regulation, within 20 days of such request from the Commission.

Contact information:

State Aid Policy Unit  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ  
United Kingdom  
Tel: + 44 (0)29 20 823568  
E-mail [state.aid@gov.wales](mailto:state.aid@gov.wales)

## Schedule 1: 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**

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## **Objective of the aid**

To provide direct support to enable undertakings to go beyond Community standards for environmental protection or to increase the level of environmental protection in the absence of Community standards.

1. The investment must:
  - i. enable the beneficiary to increase the level of environmental protection resulting from its activities either by going beyond the applicable Community standards, irrespective of the presence of mandatory national standards that are more stringent than the Community standards, or
  - ii. in the absence of Community standards, enable the beneficiary to increase the level of environmental protection resulting from, its activities in the absence of Union standards.
2. Aid will not be granted where improvements ensure companies comply with Community standards already adopted or adopted but not yet in force.

However:

  - i. Aid can be provided for the acquisition of vehicles for road, rail, inland waterway and maritime transport complying with adopted Union standards provided that the acquisition occurs before those standards enter into force and that, once mandatory, they do not apply to vehicles

already purchased before that date.

- ii. Aid can be provided for retrofitting operations of existing transport vehicles for road, railway, inland waterway and maritime transport if the existing means of transport are upgraded to environmental standards not yet in force at the date of entry into operation of those vehicles, and that once mandatory they do not apply retrospectively to those vehicles.

## **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are the extra investment costs necessary to go beyond the applicable Union standards or to increase the level of environmental protection in the absence of Union standards.

Eligible costs can be determined by:

- i. where the costs of investing in environmental protection can be identified in the total investment cost as a separate investment, this environmental protection-related cost will be the eligible cost, or
- ii. in all other cases, the cost of investing in environmental protection is identified by reference to a similar, less environmentally friendly investment that would have been credibly carried out without the aid. The difference between the costs of both investments identifies the environmental protection-related cost and will be the eligible cost.

Any costs not directly linked to the achievement of a higher level of environmental protection will not be eligible under the scheme.

## **Aid intensities**

The following aid intensity ceilings will apply to the extra investment costs necessary to achieve a higher level of environmental protection:

	Small	Medium	Large
107(3)(a) areas	75%	65%	55%
107(3)(c) areas	65%	55%	45%
Non-assisted areas	60%	50%	40%

A list of assisted areas (107 (3) (a) and 107 (3) (c) areas) can be found at Annex 1.

## Notification threshold

Aid awarded under this scheme will be granted up to a maximum of €15 million per undertaking per investment project.

## Schedule 2: Investment aid for early adaptation to future Union standards

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## Objective of the aid

To allow for direct support to undertakings to enable them to comply with environmental protection Union standards which are not yet in force provided that the Union standards have been adopted and the investment will be implemented and finalised at least one year before the date of entry into force of

the standard concerned.

## **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are the extra investment costs necessary to go beyond the applicable Union standards.

Eligible costs can be determined as follows:

- iii. where the costs of investing in environmental protection can be identified in the total investment cost as a separate investment, the environmental protection-related cost will be the eligible cost, or
- iv. in all other cases, the costs of investing in environmental protection are identified by reference to a similar, less environmentally friendly investment that would have been credibly carried out without the aid. The difference between the costs of both investments identifies the environmental protection-related cost and will be the eligible cost.

Any costs not directly linked to the achievement of a higher level of environmental protection will not be eligible under the scheme.

## **Aid intensities**

The following aid intensity ceilings will apply to the extra investment costs necessary to achieve a higher level of environmental protection:

A list of assisted areas (107 (3) (a) and 107 (3) (c) areas) can be found at Annex 1.



## Applicable aid intensities in Non-Assisted areas

	Small	Medium	Large
Implementation and finalisation take place 3 years before date of entry into force of Community standard	20%	15%	10%
Implementation and finalisation take place between 1 and 3 years before date of entry into force of Community standard.	15%	10%	5%

## Applicable aid intensities in 107 3 (a) areas

	Small	Medium	Large
Implementation and finalisation take place 3 years before date of entry into force of Community standard	35%	30%	25%
Implementation and finalisation take place between 1 and 3 years before date of entry into force of Community standard.	30%	25%	20%

## Applicable aid intensities in 107 3 (c) areas

	Small	Medium	Large
Implementation and finalisation take place 3 years before date of entry into force of Community standard	25%	20%	15%
Implementation and finalisation take place between 1 and 3 years before date of entry into force of Community standard.	20%	15%	10%

## Notification threshold

Aid awarded under this scheme will be granted up to a maximum of €15 million per undertaking per investment project.

## Schedule 3: Investment aid for energy efficiency measures

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary

## Objective of the aid

To allow direct support to enable undertakings to achieve energy efficiency.

Aid will not be granted where improvements are undertaken to ensure that

undertakings comply with Union standards already adopted or adopted but not yet in force.

## Eligible costs

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are the extra investment costs necessary achieve the higher level of energy efficiency.

Eligible costs can be determined as follows:

- v. where the costs of investing in energy efficiency can be identified in the total investment costs as a separate investment, the energy efficiency related cost will be the eligible cost, or
- vi. in all other cases, the costs of investing in energy efficiency are identified by reference to a similar, less energy efficient investment that would have been credibly carried out without the aid. The difference between the costs of both investments identifies the energy efficiency related cost and will be the eligible cost.

Any costs not directly linked to the achievement of a higher level of environmental protection will not be eligible under the scheme.

## Aid intensities

The following aid intensity ceilings will apply to the extra investment costs necessary to achieve a higher level of energy efficiency:

	Small	Medium	Large
107(3)(a) areas	65%	55%	45%

	Small	Medium	Large
107(3)(c) areas	55%	45%	35%
Non-assisted areas	50%	40%	30%

A list of assisted areas (107 (3) (a) and 107 (3) (c) areas) can be found at Annex 1.

## Notification Threshold

Aid awarded under this scheme to undertakings will be granted up to a maximum of €10 million per undertaking per investment project under the cover of this scheme.

## Schedule 4: Investment aid for energy efficiency projects in buildings

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## Objective of the aid

To provide direct support for energy efficiency projects relating to buildings.

Aid will not be granted where improvements are undertaken to ensure that the beneficiary complies with Union standards already adopted or adopted but not yet in force.

## **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are the overall costs of the energy efficiency project.

## **Form of aid**

Aid can be granted as an endowment, equity, guarantee or loan to an energy efficiency fund (EFF) or other financial intermediary, which will fully pass it on to the final beneficiaries i.e. building owners or tenants.

The aid granted by the EFF or other financial intermediary to the eligible energy efficiency project may take the form of loans or guarantees. The nominal value of the loan or amount guaranteed will not exceed €10 million per project at the level of the final beneficiaries. The guarantees should not exceed 80% of the underlying loan.

The repayment by the building owners to the EFF or other financial intermediary shall not be less than the nominal value of the loan.

The energy efficiency aid shall leverage additional investment from private investors reaching at minimum 30% of the total financing provided to an energy efficiency project. When provided by an EFF, the leverage of private investment can be done at the level of the EFF and/or the level of the energy efficiency project, so as to achieve an aggregate minimum 30% of the total financing provided to an energy efficiency project.

## **Setting up an energy EFF**

1. Member States can set up an EFF and/or can use financial intermediaries when providing energy efficiency aid as long as the following conditions are met:

- i. Financial intermediary managers, as well as EFF managers shall be

selected through an open, transparent and non-discriminatory call in accordance with applicable Union and national laws. In particular there shall be no discrimination on the basis of their place of establishment or incorporation in any Member State. Financial intermediaries and EFF fund managers may be required to fulfil predefined criteria objectively justified by the nature of the investments

- ii. The independent private investors shall be selected through an open, transparent and non-discriminatory call in accordance with applicable Union and national laws aimed at establishing the appropriate risk-reward sharing arrangements whereby for investments other than guarantees, asymmetric profit-sharing shall be given preference over downside protection. If the private investors are not selected by such a call, the fair rate of return to the private investors shall be established by an independent expert selected via an open, transparent and non-discriminatory call
- iii. In the case of asymmetric loss-sharing between public and private investors, the first loss assumed by the public investor shall be capped at 25% of the total investment
- iv. In the case of guarantees, the guarantee rate shall be limited to 80% and total losses assumed by a Member State shall be capped at 25% of the underlying guaranteed portfolio. Only guarantees covering the expected losses of the underlying guaranteed portfolio can be provided for free. If a guarantee also compromises coverage of unexpected losses, the financial intermediary shall pay, for the part of the guarantee covering unexpected losses, a market conform guarantee premium.
- v. The investors shall be allowed to be represented in the governance bodies of the EFF or financial intermediary, such as the supervisory board or the advisory committee, and
- vi. The EFF, or financial intermediary shall be established according to the applicable laws and the Member State shall provide for a due diligence process in order to ensure a commercially sound investment strategy for the purpose of implementing the energy efficiency aid measure.

2. Financial intermediaries (including EFFs) must be managed on a commercial basis and must make profit-driven financing decisions. This is considered to be met when the financial intermediary or EFF managers fulfil the following conditions:

- i. They are obliged by law or contract to act with the diligence of a professional manager in good faith and avoiding conflicts of interest; best practices and regulatory supervision shall apply
- ii. Their remuneration conforms with market practices. The requirement is considered to be met where the manager is selected through an open, transparent and non-discriminatory call, based on objective criteria linked to experience, expertise and operational and financial capacity
- iii. They shall receive a remuneration linked to performance, or shall share part of the investment risks by co-investing own resources so as to ensure that their interests are permanently aligned with the interest of the public investor
- iv. They shall set out an investment strategy, criteria and the proposed timing of investments in energy efficiency projects, establishing the ex ante financial viability and their expected impact on energy efficiency.
- v. A clear and realistic exit strategy shall exist for the public funds invested in the energy efficiency fund or granted to the financial intermediary, allowing the market to finance energy efficiency projects when the market is ready to do so.

## **Schedule 5: Investment aid for high-efficiency cogeneration**

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

### **Objective of the aid**

To provide direct support to enable undertakings to invest in high-efficiency cogeneration. Support can be given for investment in newly installed or refurbished capacities only.

A new cogeneration unit must make 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 must result in primary energy savings compared to the original situation.

## Eligible costs

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are 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.

## Aid intensities

The following aid intensity ceilings will apply to the extra investment costs necessary to achieve a higher level of energy efficiency:

	<b>Small</b>	<b>Medium</b>	<b>Large</b>
107(3)(a) areas	80%	70%	60%
107(3)(c) areas	70%	60%	50%
Non-assisted areas	65%	55%	45%



A list of assisted areas (107 (3) (a) and 107 (3) (c) areas) can be found at Annex 1.

## **Notification threshold**

Aid awarded under this scheme will be granted up to a maximum of €10 million per undertaking per investment project.

## **Schedule 6: Investment aid for the promotion of energy from renewable sources**

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## **Objective of the aid**

To provide direct support to undertakings to promote energy from renewable energy sources.

Investment aid for the production of biofuels will only be granted if the aided investment is used exclusively for the production of sustainable biofuels, other than food based biofuels. Investment aid to convert existing food-based biofuel plants advanced biofuel plants can be supported as long as the food-based production would be reduced commensurate to the new capacity.

Aid cannot be granted for biofuels subject to a supply or blending obligation.

Aid cannot be granted for hydropower installations that do not comply with Directive 2000/60/EC of the European Parliament.

Investment will only be granted to new installations. No aid will be paid out after the installation has started operations and aid will be independent from the output.

## **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project.

Eligible costs are the extra investment costs necessary to promote the production of energy from renewable sources. They will be determined as follows:

- i. where the costs of investing in the production of energy from renewable sources can be identified in the total investment cost as a separate investment , for instance as a readily identifiable add-on component to a pre-existing facility, this renewable energy-related cost will be the eligible cost, or
- ii. where the costs of investing in the production of energy from renewable sources can be identified by reference to a similar, less environmentally friendly investment that would have been credibly carried out without the aid, this difference between the cost of both investments identifies the renewable energy-related cost and will be the eligible cost
- iii. for certain small installations where a less environmentally friendly investment cannot be established as plants of a limited size do not exist, the total investment costs to achieve a higher level of environmental protection shall constitute the eligible costs.

Any costs not directly linked to the achievement of a higher level of environmental protection will not be eligible under the scheme.

## **Aid intensities**

The following aid intensity ceilings will apply to the extra investment costs necessary to achieve a higher level of environmental protection:

## Costs calculated using (i) or (ii) above

	Small	Medium	Large
107(3)(a) areas	80%	70%	60%
107(3)(c) areas	70%	60%	50%
Non-assisted areas	65%	55%	45%

A list of assisted areas (107 (3) (a) and 107 (3) (c) areas) can be found at Annex 1.

## Costs calculated using (iii) above

	Small	Medium	Large
107(3)(a) areas	65%	55%	45%
107(3)(c) areas	55%	45%	35%
Non-assisted areas	50%	40%	30%

Where aid is granted in a competitive bidding process on the basis of a clear, transparent and non-discriminatory criteria, the aid intensity may reach 100% of the eligible costs. Such a bidding process shall be non-discriminatory and provide for the participation of all interested undertakings. The budget related to the bidding process shall be a binding constraint in the sense that not all participants can receive aid and the aid shall be granted on the basis of the initial bid submitted by the bidder, therefore excluding subsequent negotiations.

## Notification threshold

Aid awarded under this scheme will be granted up to a maximum of €15 million

per undertaking per investment project.

## **Schedule 7: Operating aid for the promotion of energy from renewable sources in small scale installations**

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

### **Objective of the aid**

To provide support for the promotion of energy from renewable energy sources in small scale installations.

- Installations with an installed capacity of less than 500kw are eligible.
- For wind energy, aid can be granted to installations with an installed capacity of less than 3mw or with less than 3 generation units.
- For biofuels, aid shall be granted to installations with an installed capacity of less than 50,000 tonnes/year.
- For the purpose of calculating maximum capacities, small scale installations with a common connection point to the electricity grid will be considered one installation.

Aid can only be granted to installations producing sustainable biofuels other than food based biofuels. Operating aid to plants producing food-based biofuels that have started operation before 31 December 2013 and are not fully depreciated can be supported.

Aid cannot be granted for biofuels subject to a supply or blending obligation.

## Calculating costs

The aid per unit of energy will not exceed the difference between the total levelised costs of producing energy from the renewable source in question and the market price of the form of energy concerned. The levelised costs will be updated regularly, annually as a minimum.

The maximum rate of return used in the levelised cost calculation shall not exceed the relevant swap rate plus a premium of 100 basis points. The relevant swap rate shall be the swap rate of the currency in which the aid is granted for a maturity that reflects the depreciation period of the installation supported.

Aid will only be granted until the installation has been fully depreciated according to generally accepted accounting principles. Any investment granted to an installation shall be deducted from the operating aid.

## Notification threshold

Aid awarded under this scheme will be granted up to a maximum of €15 million per undertaking per investment project.

## Schedule 8: Investment aid for remediation of contaminated sites

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## Objective of the aid

To provide direct support to undertakings to repair environmental damage by

remediating contaminated sites which leads to the repair of environmental damage including damage to the quality of the soil or of surface water or groundwater.

Where the legal or physical person liable for the environmental damage under the law applicable in the UK, without prejudice to Union rules in particular, Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage as amended by Directive 2006/21/EC of the European Parliament and of the Council of 15 March 2006 on the management of waste from extractive industries, Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/i/EC and Regulation (EC) no 1013/2006 and Directive 2013/30/EU of the European Parliament and of the Council of 12 June 2013 on safety of offshore oil and gas operation and amending Directive 2004/35/EC is identified that person must finance the remediation in line with the polluter pays principle and no State aid can be granted. Where the person can not be identified or cannot be made to bear the costs, the person responsible for the remediation or decontamination work may receive State aid.

## **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project.

Eligible costs are the costs incurred for the remediation work, less the increase in the value of the land. All expenditure incurred by an undertaking in remediating its site, whether or not such expenditure can be shown as a fixed asset on its balance sheet, may be considered as eligible investment in the case of remediation of contaminated sites.

The evaluation of the increase in value of the land resulting from remediation will be carried out by an independent expert.

## **Aid intensities**

100% of eligible costs can be supported.

## **Notification threshold**

Aid awarded under this scheme will be granted up to a maximum of €20 million per undertaking per investment project.

## **Schedule 9: Investment aid for energy efficient district heating and cooling**

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## **Objective of the aid**

To provide investment aid for the installation of energy efficient district heating and cooling systems.

## **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are as follows:

- Production plant – the extra costs needed for the construction, expansion and refurbishment of one or more generation units to operate as an energy

efficient district heating and cooling system compared to a conventional production plant. The investment shall be an integral part of the energy efficient district heating and cooling systems.

- Distribution network – the investment costs

## Aid intensities

The following aid intensity ceilings will apply to

### investments in production plants

	Small	Medium	Large
107(3)(a) areas	80%	70%	60%
107(3)(c) areas	70%	60%	50%
Non-assisted areas	65%	55%	45%

For distribution networks the aid amount will not exceed the difference between the eligible costs and the operating profit. The operating profit will be deducted from the eligible costs ex ante or through a claw-back mechanism.

## Notification threshold

Aid awarded under this scheme will be granted up to a maximum of €20 million per undertaking per investment project.



# Schedule 10: Investment aid for waste recycling and re-utilisation

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## Objective of the aid

To provide direct investment to undertakings for waste recycling and re-utilisation of waste generated by other undertakings where otherwise the recycled or reused materials treated would be disposed of, or be treated in a less environmentally friendly manner.

Aid to waste recovery operations other than recycling will not be eligible.

The aid must not indirectly relieve the polluters from a burden that should be borne by them under Union law, or from a burden that should be considered a normal company cost.

The investment must not just increase demand for the materials for recycled without increasing collection of those materials. The investment must go beyond the state of the art.

Aid for investments relating to the recycling and reutilisation of the beneficiary's waste is not eligible to receive support under this scheme.

## Eligible costs

The costs of the project must be transparent and directly and exclusively related to the project.

The eligible costs are the extra investment costs necessary to realise an investment leading to better or more efficient recycling or re-use activities compared to a conventional process of re-use and recycling activities with the same capacity that would be constructed in the absence of the aid.

## Aid intensities

The following aid intensity ceilings will apply to:

### **the extra investment costs necessary to achieve a higher level of recycling and re-utilisation**

	Small	Medium	Large
107(3)(a) areas	70%	60%	50%
107(3)(c) areas	60%	50%	40%
Non-assisted areas	55%	45%	35%

A list of assisted areas (107 (3) (a) and 107 (3) (c) areas) can be found at Annex 1.

## Notification threshold

Aid awarded under this scheme will be granted up to a maximum of €15 million per undertaking per investment project.

# Schedule 11: Investment aid for energy infrastructure

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## Objective of the aid

To provide direct support in the form of investment aid to undertakings to support the construction or upgrade of energy infrastructure in assisted areas only.

The energy infrastructure must be subject to full tariff and access regulation according to internal energy market legislation.

Aid investments for electricity and gas storage projects and oil infrastructures are not eligible to receive support under this scheme.

## Eligible costs

Eligible costs are the investment costs.

## Aid amount

The aid amount must not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit shall be deducted from the eligible costs ex ante or through a claw-back mechanism.

## **Notification threshold**

Aid awarded under this scheme will be granted up to a maximum of €50 million per undertaking per investment project.

## **Schedule 12: Aid for environmental studies**

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

## **Objective of the aid**

To provide direct support to undertakings for studies, including energy audits, directly related to investments referred to in schedules 1, 2, 3, 4, 5, 6, 8, 9, 10, 11 this document.

Aid can not be granted to large companies for energy audits carried out under Article 8(4) of the Directive 2012/27/EU, unless the energy audit is carried out in addition to the mandatory energy audit under that directive.

## **Eligible costs**

The eligible costs will be the costs of the study.

## **Aid intensities**

The following aid intensity ceilings will apply:

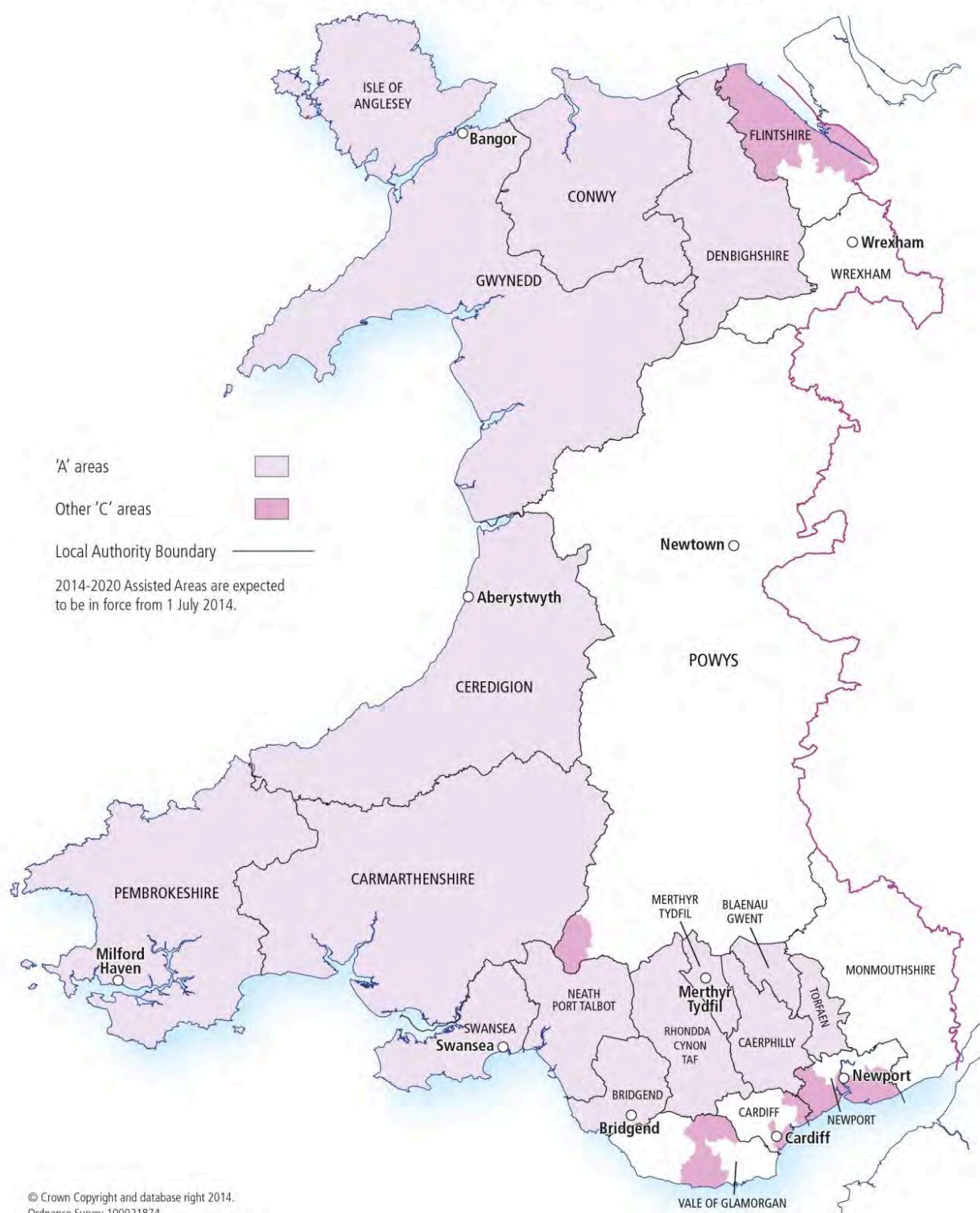
<b>Small</b>	<b>Medium</b>	<b>Large</b>
70%	60%	50%

## **Annex 1: Assisted Areas 2014 to 2020**

The UK Assisted Areas for the period 2014-2020 have been determined in line with the criteria identified within the Guidelines on National Regional Aid for 2014-2020. The UK map was notified to the Commission and subsequently approved under State aid decision SA.38113 (2014/N).

In Wales, West Wales and the Valleys continue to retain full Article 107(3)(a) status eligible for the higher levels of funding. Areas of Flintshire, the Vale of Glamorgan Cardiff, Newport and Powys have been identified as Article 107(3)(c) areas.

# Assisted Areas 2014-2020



## **Assisted Areas 107(3)(a) local authority areas**

- Blaenau Gwent County Borough Council
- Bridgend County Borough Council
- Caerphilly County Borough Council
- Carmarthenshire County Council
- Ceredigion County Council
- Conwy County Borough Council
- Denbighshire County Council
- Gwynedd Council
- Isle of Anglesey County Council
- Merthyr Tydfil County Borough Council
- Neath Port Talbot County Council
- Pembrokeshire County Council
- Rhondda Cynon Taff County Borough Council
- City and County of Swansea
- Torfaen County Borough Council

## **Assisted Areas 107(3)(c) Wards**

- Wales UKL Flintshire W06000005 Aston ED
- Wales UKL Flintshire W06000005 Bagillt East ED
- Wales UKL Flintshire W06000005 Bagillt West ED
- Wales UKL Flintshire W06000005 Broughton North East ED
- Wales UKL Flintshire W06000005 Broughton South ED
- Wales UKL Flintshire W06000005 Brynford ED
- Wales UKL Flintshire W06000005 Buckley Mountain ED
- Wales UKL Flintshire W06000005 Caerwys ED
- Wales UKL Flintshire W06000005 Cilcain ED
- Wales UKL Flintshire W06000005 Connah's Quay Central ED
- Wales UKL Flintshire W06000005 Connah's Quay Golftyn ED
- Wales UKL Flintshire W06000005 Connah's Quay South ED
- Wales UKL Flintshire W06000005 Connah's Quay Wepre ED
- Wales UKL Flintshire W06000005 Ewloe ED
- Wales UKL Flintshire W06000005 Ffynnongroyw ED

- Wales UKL Flintshire W06000005 Flint Castle ED
- Wales UKL Flintshire W06000005 Flint Coleshill ED
- Wales UKL Flintshire W06000005 Flint Oakenholt ED
- Wales UKL Flintshire W06000005 Flint Trelawny ED
- Wales UKL Flintshire W06000005 Greenfield ED
- Wales UKL Flintshire W06000005 Gronant ED
- Wales UKL Flintshire W06000005 Halkyn ED
- Wales UKL Flintshire W06000005 Hawarden ED
- Wales UKL Flintshire W06000005 Holywell Central ED
- Wales UKL Flintshire W06000005 Holywell East ED
- Wales UKL Flintshire W06000005 Holywell West ED
- Wales UKL Flintshire W06000005 Mancot ED
- Wales UKL Flintshire W06000005 Mostyn ED
- Wales UKL Flintshire W06000005 Northop Hall ED
- Wales UKL Flintshire W06000005 Queensferry ED
- Wales UKL Flintshire W06000005 Sealand ED
- Wales UKL Flintshire W06000005 Shotton East ED
- Wales UKL Flintshire W06000005 Shotton Higher ED
- Wales UKL Flintshire W06000005 Shotton West ED
- Wales UKL Flintshire W06000005 Trelawnyd and Gwaenysgor ED
- Wales UKL Flintshire W06000005 Whitford ED
- Wales UKL The Vale of Glamorgan W06000014 Peterston-super-Ely ED
- Wales UKL The Vale of Glamorgan W06000014 Rhoose ED
- Wales UKL The Vale of Glamorgan W06000014 St. Athan ED
- Wales UKL Cardiff W06000015 Butetown ED
- Wales UKL Cardiff W06000015 Cathays ED
- Wales UKL Cardiff W06000015 Splott ED
- Wales UKL Cardiff W06000015 Pontprennau/Old St. Mellons ED
- Wales UKL Cardiff W06000015 Trowbridge ED
- Wales UKL Newport W06000022 Graig ED
- Wales UKL Newport W06000022 Liswerry ED
- Wales UKL Newport W06000022 Llanwern ED
- Wales UKL Newport W06000022 Marshfield ED
- Wales UKL Newport W06000022 Pillgwenlly ED
- Wales UKL Newport W06000022 Stow Hill ED
- Wales UKL Newport W06000022 Tredegar Park ED



- Wales UKL Powys W06000023 Aber-Craf ED
- Wales UKL Powys W06000023 Cwm-Twrch ED
- Wales UKL Powys W06000023 Ynyscedwyn ED
- Wales UKL Powys W06000023 Ystradgynlais ED