



**European Union**  
European Structural  
and Investment Funds

# Priority Axis 4: Supporting the Shift Towards a Low Carbon Economy in All Sectors;

## Fact Sheet

# Investment Priority 4a – promoting the production and distribution of energy derived from renewable sources.

## General Guidance

- Where a project is supporting micro generation only, the project value can have a total value of £500,000 instead of the standard £1 million as the nature of the project involves the delivery of small scale renewables which require a smaller project size.
- Within 4a projects can enable the installation of renewables of up to 5 Mega Watts.
- Projects can include small scale infrastructure which focuses on the development of supply chains or to unlock a larger scheme.
- Projects cannot apply for ERDF if they have or plan to apply for the Feed in Tariff (FIT's). Where an applicant is applying for ERDF directly (they are the named organisation/ named delivery partner on the Grant Funding Agreement) for a heat based project, then the Renewable Heat Incentive (RHI) can also be applied for.
- Support for district heating is not predicated on the project being innovative: heat networks are an eligible activity as they provide the long-term infrastructure that facilitates the supply of low carbon energy. To enable heat networks to be delivered in urban areas and provide the effective delivery of low to zero carbon heat, the heat production should be from renewable and low carbon sources.
- Where a proposal is coming forward with an innovative/ demonstration low carbon renewable technology, it would be expected that the technology will have gone from a design to proof of concept process. This should be verified through an independent assessment ideally by a university to ensure that the technology is viable. Consideration will be given to support technologies that are not widely adopted in the UK but have been deployed within other countries.

## Common Issues

Heat networks – in the majority of urban areas the use of biomass is problematic due to air quality issues and the most feasible technology to generate the heat is CHP which is not renewable. Better suited to rural areas.

Works well in an integrated environment where energy can be transferred locally and cheaper – university campus, hospital, Business Park – where buildings have a single owner and buildings operate 24hrs.

Thermodynamics – why the integrated network works well - energy can neither be created nor destroyed. It can only change forms. In any process, the total energy remains the

same. A business captures solar energy during daylight, if it can't store it will be wasted unless it has a means to transfer the energy or use it elsewhere. Hence why the integrated network is appropriate. Use energy to charge cars – that's innovative. Community centre heats a swimming pool.

# Investment Priority 4b – Promoting energy efficiency and renewable energy use in enterprises

## General Guidance

- Energy efficiency NOT resource efficiency – the latter is picked up in PA3 and PA6
- Proposals coming forward that incorporate capital support for SME's for capital equipment or improving the energy efficiency of the building would need to demonstrate that a suitably detailed diagnostic had been undertaken, which would normally form part of a projects delivery.
- Standard retrofit can be funded under this IP.
- The expectation is that deep renovation would be delivered through a Financial Instrument not through an ERDF grant.

## Common Issues

Must demonstrate market failure. Problematic for SME with very low baseline, or applicants wishing to continue previous programme work – effective but not in line with current programme or policy.

Diagnostic, energy audits– follow up with retrofit measures. Link the two.

Whole Place Solution - think about the application of technology. Combining and linking a number of basic technologies can have a bigger impact than a single, but higher technological intervention.

Consider need and demand, SME take-up and what can you offer for the value of grants? Is it worthwhile operating a grant scheme for £500? The same amount of administration and record keeping is required for a £500 grant as for a £5,000 grant. Consider critical mass, impact and Green House Gas (GHG) savings.

Consider what's available already – Additionality - many energy companies offer online assessments, some online assessments are free online, some help with statutory compliance, domestic only or for large companies.

Be careful not to fund activity that is a statutory or legislative requirement. Just because the SME is not complying with statutory requirements (and some don't), doesn't mean ERDF can fund it.

Recording output returns - use heating / energy bills for GHG reductions, Standard Assessment Procedure (SAP) ratings for new products, and cross reference this with the equivalent existing technology.



# Investment Priority 4c – Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings and in the housing sector.

## General Guidance

- There is a requirement in this investment priority to ensure that activity undertaken can demonstrate that the proposal delivers an innovative approach.
- ERDF cannot be used to fund basic retrofit activity such as loft, cavity wall insulation, double/ standard triple glazing, boilers, and other standard retrofit technologies. Solid wall insulation is an eligible activity, however it is expected that the use of solid wall will be applied through an innovative approach and/or as part of a whole place solution to support the installation of innovative low carbon solutions.
- Street Lighting and similar public infrastructure - Street lighting as a stand alone project is not something we would support. Where a project can demonstrate that it would support a whole place solution or it supports the delivery of research and innovation this could be considered.
- The use of grant based support by ERDF to support the application of energy efficiency, renewable energy or smart energy management should be to deliver demonstration and applying innovative low carbon technologies across housing and public buildings.
- Revenue based projects could be supported where they provide advice and support to a wide range of public buildings above and beyond what is currently provided. Applications would need to clearly demonstrate that they are not duplicating or subsidising existing provision.

## Common Issues

What is the definition of a public building? Will depend on whether the organisation itself is considered “Public”. The organisation has to directly or indirectly receive over 50% of its main funding from central or local government. (This does not include payment for work carried out by private enterprise for the public sector.) To decide if an organisation can be defined as Public, work out their previous year’s receipts, excluding any EU monies, and the income forecast for the following year, again excluding any EU monies. If over 50% of the net amount (after deductions) comes from central or local government sources, they will be considered “Public” and by default their buildings.

New infrastructure – problematic, how can you evidence GHG savings? Construction of social housing can be considered, but must demonstrate innovative construction techniques, for example on-site construction.

What is meant by innovation? Difficult to define as policy cannot keep pace with technology. Often it is the application of the technology as opposed to the technology itself. Think of processes and materials used.

Additionality – common gateway failure reason for projects. Local Authorities undertaking standard retrofit of social housing, or wishing to undertake works already scheduled with no uplift in works to account for ERDF.

Schemes to replace lighting, add solar panels – these are not innovative in isolation; but use solar panels to charge storage units which can supplement the lighting of an evening – this is innovative!

Focus on demonstration not mass roll out of whole scale retrofit of public estate. Can you do more with less? – comprehensive small-scale demonstrators.

# Investment Priority 4e – promoting low carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation- relevant adaptation measures

## General Guidance

- Deliver a holistic approach within a defined area to reduce greenhouse gas emissions across a range of thematic areas to create an integrated approach to reducing emissions.
- It is a requirement to have in place a low carbon strategy(s) that will provide a framework for measuring activities that reduce CO<sub>2</sub> emissions. In practice, since local areas already typically plan on this integrated basis, it is expected that the majority of activity could be covered by existing plans.
- Calls need to detail that a whole place solution is required which focuses on more than one thematic low carbon activity e.g. not just low carbon transport.
- It is expected that the strategy will cover a geographically defined area. Since a low carbon strategy and related CO<sub>2</sub> reduction measures will typically cover areas where there is a greater concentration of infrastructure, such areas will tend to be predominantly urban. This does not exclude peri-urban or rural areas where CO<sub>2</sub> reduction measures may also be appropriate. The extent of this geographical area will be defined by the scale and type of activity being proposed.
- To deliver a whole place solution it is expected that a strategy will focus on a least two thematic areas to deliver an integrated approach. It is expected that energy efficiency/renewable technologies or low carbon transport activity would form the lead thematic areas.

## Common Issues

Must combine several connected measures within an area because this is likely to generate greater impacts in the short and long term, and maximise the value of investments.

Examples of Local Plans: Local Authority or locally agreed Low Carbon Strategy; Low Carbon Energy Strategy; Low Carbon Transport Strategy; Low Carbon Housing Strategy; Covenant of Mayor Strategy; University Low Carbon Strategies; and Low Carbon Strategy for a Business/ Industrial Park.

Often applicants request funds to implement transport only activities – these are not eligible in isolation.

Some applications are borderline public real, landscaping for example signage, cycle lanes – these are not eligible in isolation.

Signage could be included if it is part powered by solar energy and linked with another energy saving measure.

Applications often lack a practical matrix for measuring CO<sub>2</sub> reductions

Often very complex. Applications need to be costed and account for any state aid or revenue generation, especially if they are using charge points and vehicles.

# Investment Priority 4f – Promoting research and innovation in, and adoption of low carbon technologies.

## General Guidance

- Projects should focus on knowledge transfer.
- Needs to be consistent with Smart Specialisation Strategy in England.
- Can fund technology centres of excellence, test centres, demonstration; but can't concentrate on infrastructure – performance framework outputs, particularly CO<sub>2</sub> reductions are a programme and eligibility requirement.
- Ideally project would utilise technological research from universities and distribute this across SMEs. Involve other institutions and promote knowledge transfer.
- Low carbon joint venture projects with universities utilising graduates. Benefits:

### Business Benefits

- Reducing operational costs, developing new income streams, accessing new markets and increasing profitability. Product development, improved efficient processes, building design solutions, transport, carbon finance or measuring, monitoring and reporting carbon to suppliers and customers.

### University Expertise

- Businesses receive the support of experts who will develop the right low carbon strategy for each individual company by mapping its current practices and future potential. The nature of the support, including timescales, will dictate if the business will be allocated a research collaborator, an academic member of staff or student project.

## Common issues

Too much emphasis on infrastructure and not CO<sub>2</sub> reductions – results in a poor output return, weak value for money and programme fit.

Applications are under-developed, often covering a broad remit with little focus. Top heavy with academic costs and few outputs.

Activity is often conflated with P4e, resulting in a confusing application with no focus or tangible outcomes.

Can be difficult to quantify outputs. For example where a project is working with an SME on a low carbon technology, the project may not be able to report CO<sub>2</sub> savings as they are

working with the business on the low carbon products and the saving generated by these cannot be evidenced.