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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2019) 86 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT *Accompanying the document* Commission Delegated Regulation supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund

Delegations will find attached document SWD(2019) 86 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Commission Delegated Regulation

supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund

{C(2019) 1492 final} - {SEC(2019) 87 final} - {SWD(2019) 85 final}

Executive Summary Sheet
Impact assessment accompanying the Proposal for the Commission Delegated Regulation supplementing Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC with regard to the operation of the innovation fund.
A. Need for action
Why? What is the problem being addressed?
The Innovation Fund (IF) is established by the revised EU Emissions Trading System (ETS) Directive 2003/87/EC as a successor of the NER300 programme. The IF will support low-carbon technology demonstration projects in energy-intensive industry, renewables, energy storage and carbon capture, use or storage in all Member States until 2030. The IF will build on the lessons learnt from NER300 programme:e.g. challenging investment conditions (low carbon price), lack of public and private financing in the early stages, the programme's rigid design, complex project selection and decision-making.
What is this initiative expected to achieve?
The IF should aim to: (i) offer effective financial support, adapting to market needs and projects' risk profiles, while attracting additional public and private resources; (ii) fund projects with high innovation and business potential; (iii) have an efficient, simple and appropriately flexible management; (iv) provide synergies with InvestEU and other Union programmes.
What is the value added of action at the EU level?
The IF does not raise new subsidiarity issues as a subsidiarity check was already done for the ETS Directive.

B. Solutions
What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?
The EU ETS Directive sets out the basic features of the IF (objective, scope, size, eligibility criteria) and empowers the Commission to adopt a delegated act on its rules of operation (disbursement of grants, project selection process, governance, monetisation of allowances, interaction with InvestEU and other Union programmes). Under the preferred option, the IF targets its support to the additional costs of innovation, disburses grants more flexibly based on milestones during the project's lifetime and better selects projects through regular calls (e.g. every two years) with multiple selection criteria (e.g. cost efficiency, GHG emissions avoidance, economic viability) and flexible design to reflect changing market conditions. The Commission, supported by a public implementing body, manages the Fund. Member States are consulted on key decisions (calls for proposals, pre-selected projects). Allowances will be auctioned in equal annual volumes, with limited flexibility to avoid carbon market distortions. The Fund will closely cooperate with other EU funding programmes and its grants can be complemented with repayable support (debt, equity, guarantees) through blending with InvestEU.
Who supports which option?
A broad majority of stakeholders supports the option described.
C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise main ones)?
Innovative low-carbon demonstration projects have direct environmental, social and economic benefits. It is expected that investments of EUR 55-68 billion could potentially be eligible for the IF. The preferred option improves effectiveness and efficiency: Milestone-based grant disbursement allows better risk-sharing and more flexible redeployment of funds between projects. The project selection with broader criteria leads to funding more innovative but also more viable projects. Close cooperation with other EU programmes reduces administrative costs and increases the overall effectiveness of public funding.

What are the costs of the preferred option (if any, otherwise main ones)?
The preferred option saves time and costs for project proponents and national administrations. No impact on the

EU budget as the Fund will fully cover its administrative costs.

How will businesses, SMEs and micro-enterprises be affected?

The Fund will be a key tool to implement EU's long-term strategy to reduce GHG emissions and support the EU's long-term competitiveness. Companies will benefit from simplified, faster and more efficient support for their projects, and small-scale projects will enjoy even simpler conditions.

Will there be significant impacts on national budgets and administrations?

The preferred option reduces the administrative costs for national administrations.

Will there be other significant impacts?

Demonstration of low-carbon technologies increases the long-term competitiveness of EU economy, contributes to economic growth and is essential for EU climate and energy policies.

D. Follow up

When will the policy be reviewed?

A review is foreseen for 2025 but the lessons learnt from each call should immediately feed into the design of the following calls.