THE CARBON TRUST
MARINE RENEWABLES PROVING FUND
(2009 – 2011)

This document details how the funding provided by the Carbon Trust for demonstration projects under the Marine Renewables Proving Fund, met the requirements of the European Commission’s General Block Exemption Regulation (‘GERB’).

1. **Member State**
   United Kingdom

2. **Region**
   United Kingdom

3. **Title of Measure**
   Marine Renewables Proving Fund

4. **Name and Address of Granting Authority**
   The Carbon Trust
   4th Floor
   Dorset House
   27-45 Stamford Street
   London
   SE1 9PY
   United Kingdom

5. **UK Legal Basis of the Measure**
   Section 5 of the Science and Technology Act 1965
   Section 153(1) of the Environmental Protection Act 1990 (as amended by S.I 2002/1686)

6. **EC Legal Basis of the Measure**
7. **Type of Measure**

Aid Scheme

8. **Objective of the Measure**

**Background:** The Carbon Trust is a not for dividend company, limited by guarantee, created by the UK government to help businesses and public organisations to reduce their carbon emissions, through improved energy efficiency and developing commercial low carbon technology. Its mission is to accelerate the move to a low carbon economy. It is part-funded by the UK government.

The Marine Renewables Proving Fund ('MRPF') was funded by the Carbon Trust using funds granted to the Carbon Trust from the UK’s Department of Energy and Climate Change ('DECC') for the development and deployment of low carbon technologies.

**Objectives of the Scheme:** To meet the EU’s 15% renewable energy target for the UK, as much as 40% of electricity must come from renewables in 2020.

The MRPF was a £22.5m Aid Scheme which began in 2009. The objective of the Scheme was to prove that full-scale marine energy devices could be installed and operated in open-sea environments. The fund was managed by the Carbon Trust on behalf of DECC and provided funding and technical support to six full-scale prototypes.

It is anticipated that all six full-scale prototypes will be installed and generating by the end of 2012. These installed devices are central to the increasing confidence of the marine energy industry, which now plans to scale up demonstration to arrays of several MW and is seeing increased private sector investment from strategically placed industrial companies.

9. **Estimated Annual Scheme Expenditure (amount of public sector contribution)**

No further funds are being invested under the Scheme. Between 2009 and 2011, the Scheme awarded grants ranging from £1.85m - £4.89m to six leading developers for the demonstration of six prototypes.

10. **Date of Implementation**

22 September 2009

11. **Form of Aid**

Grant

12. **Scope of Measure**
The Aid Scheme provided support for research and development projects (specifically for projects involving industrial research or for demonstration projects involving experimental development) in accordance with Articles 30 and 31 of GBER. In particular:

‘Industrial Research’ under GBER means the planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components parts to complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes.

‘Experimental Development’ under GBER means the acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include, for instance, other activities aiming at the conceptual definition, planning and documentation of new products, processes or services. Those activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use.

The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible cost.

The experimental production and testing of products, processes and services shall also be eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially. Experimental development will not include routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements.

13. Notification Threshold

No funding towards any project exceeded the notification threshold of EUR 7.5 million per undertaking per project.

14. Maximum Aid Intensity

The Carbon Trust funded demonstration projects at an aid intensity of 33%. The Carbon Trust was legally permitted, however, to fund each demonstration by up to a maximum amount of between 25% and 50% of the eligible costs of each project on the following basis:
Where the demonstration projects were categorised as either industrial research or experimental development in accordance with paragraphs 3 and 4 of Article 30 of GBER.

Funding provided could cover either 25% or 50% of the eligible costs of each demonstration project (for experimental development or industrial research respectively);

AND

10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises;

AND

15 percentage points (up to a maximum aid intensity of 80% of eligible costs of project) where:

(i) the project involved effective collaboration between at least two undertakings which were independent of each other and the following conditions were fulfilled:
   - no undertaking would bear more than 70% of the eligible costs of the demonstration project
   - the demonstration project would involve collaboration with at least one SME or be carried out in at least two different Member States, OR

(ii) the demonstration project involved effective collaboration between an undertaking and a research organisation and the following conditions would be fulfilled:
   - the Carbon Trust would bear at least 10% of the eligible project costs, and
   - the Carbon Trust would have the right to publish the results of the projects insofar as they stem from research carried out by that organisation.

Subcontracting was not considered to be effective collaboration.

15. **Duration of Potential Demonstration Project Funding**

The period for the awarding of Aid under this Scheme ended in 2011.

16. **Eligible Activities**

In accordance with Article 31, the following costs were deemed eligible costs in respect of each demonstration project:

- Personnel costs (researchers, technicians and other supporting staff to the extent employed on the research project);
• Costs of instruments and equipment to the extent and for the period used for the project. If such instruments and equipment were not to be used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of good accounting practice, were considered as eligible;

• Costs of contractual research, technical knowledge and patents bought or licensed from outside sources at market prices, where the transaction was carried out at arm’s length and there is no element of collusion involved, as well as costs of consultancy and equivalent services used exclusively for the research activity;

• Additional overheads incurred directly as a result of the project;

• Other operating expenses including costs of materials, supplies and similar products incurred directly as a result of the project.

17. Incentive Effect

Aid granted to small and medium enterprises (SMEs) was considered to have an incentive effect if, before work on the project or activity has started, the beneficiary had submitted an application to the Carbon Trust to participate in a demonstration project.

Aid to large enterprises was considered to have an incentive effect if in addition to fulfilling the condition laid down for SMEs above, the Carbon Trust had verified, before granting the aid concerned, that documentation prepared by the beneficiary established one or more of the following criteria:

• a material increase in the size of the project/activity due to the aid; and/or

• a material increase in the scope of the project/activity due to the aid; and/or

• a material increase in the total amount spent by the beneficiary on the project/activity due to the aid; and/or

• a material increase in the speed of the completion of the project/activity concerned.

18. Clawback/Adjustments

The funding agreement stipulated the right for the Carbon Trust or the Granting Authority (or any other entity appointed by the Carbon Trust) to seek repayment in the event of any change in the status (SME, large undertaking) of the recipient without prior notification, acknowledgement and approval by the Carbon Trust, or any commercial use of any asset purchased with the Grant.

In accordance with Article 30.4 of GBER, on completion of projects involving experimental development, the Grant recipients were required to notify the Carbon Trust of the residual value, sale or commercial use of the prototype developed during the project (typically the turbine foundation), or any other asset, demonstrator or capital equipment which it owns where the costs of
acquisition or production had been met (in whole or in part) from the Grant. The recipients were required to repay to the Carbon Trust in respect of any residual value or from any sale or revenue from commercial use, any amount that reflected the pro rata amount of the Carbon Trust’s Grant in relation to the costs of the project.

Recipients were notified that the Carbon Trust would adjust (which could include reduction of) its percentage contribution to the project, and could also withhold or reclaim any part of the Grant paid to the extent necessary to ensure on-going compliance with the intensity limits, together with interest at the rate set by the European Commission, calculated from the date the relevant monies were made available, if required to do so under GBER and/or any decision of the European Commission, provided that the Carbon Trust would not recover any part of the Grant already recovered by any Government Department.

Recipients were notified that if any Grant paid to them by the Carbon Trust for the projects was considered to be unlawful state aid by any of the European Commission, the European Court of Justice or any national court and an order for its repayment was made, the recipient would repay the relevant payment within fifteen (15) Business Days (Monday to Friday inclusive, excluding any public holidays in England and Wales) of demand together with any such interest as may be applicable.

19. Participation
   • Small and medium enterprises (as defined in Article 2)
   • Large enterprises (as defined in Article 2)

20. Monitoring and Reporting Requirements

All recipients of aid under the Scheme were informed that aid had been provided under the Scheme, registered 840/2009, pursuant to Commission Regulation (EC) No 800/2008 (General Block Exemption Regulation). Records will be kept for 10 years from the date of the last award of aid under the Scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met, to include confirmation of enterprise status SME/large) and eligibility of supported costs. The recipients will be required to produce the funding agreement and/or any correspondence relating to it on request from the Carbon Trust or any other entity appointed by the Carbon Trust including, without limitation the “Government Department” (which refers to any or all of the Department of Energy and Climate Change, the Welsh Assembly Government, the Scottish Government or Invest Northern Ireland as appropriate) or the European Commission.