

General Block Exemption Regulation (“the Regulation”)

Environmental Aid Scheme 2014- 2020

1. Objective of Scheme

The objective of this scheme is to incentivise and accelerate investment in initiatives that will encourage undertakings to comply with new Union standards not yet in force for environmental protection; to improve energy efficiency; to promote the uptake of energy from renewable sources and to encourage the carrying out of environmental studies.

2. Legal Basis and Rules

The legal basis is the enabling legislation of Enterprise Ireland, IDA Ireland and Údarás na Gaeltachta (“the development agencies”)

IDA Ireland/Enterprise Ireland: Industrial Development Act 1986 as amended.

Údarás Na Gaeltachta: Údarás na Gaeltachta Act, 1979.

The State Aid basis is:

The operation of this scheme is subject to Articles 36, 37, 38, 40, 41, 45, 46, 47, 48 and 49 of Section 7 of the General Block Exemption Regulation for 2014–2020, published in Official Journal No 57, 26th June 2014, Commission Regulation (EU) No 651/2014.

3. Budget

The average annual budget of this Scheme shall not exceed EUR 150 million

4. Who can apply?

Applicants will be eligible to apply for environmental aid once the project concerned meets the criteria set out in the enabling legislation of the development agencies. The right to apply does not impose any obligation on the State to provide funding to an applicant.

5. Incentive Effect

5.1 This Scheme shall apply only to aid which has an incentive effect.

5.2 Aid shall be considered to have an incentive effect if the beneficiary has submitted a written application for the aid to the relevant development agency before work on the project or activity starts. The application for the aid shall contain at least the following information:

- (a) Undertaking’s name and size
- (b) Description of the project including its start and end dates
- (c) Location of project

- (d) List of eligible costs
- (e) type of aid
- (f) aid amount.

5.3 If work begins before the applicant has submitted a written application to the relevant development agency the whole project will be ineligible for aid. Start of work 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.

6 Scope of Scheme

6.1 The scheme shall apply to all sectors and undertakings irrespective of the size of the undertaking throughout Ireland.

6.2 This Scheme shall not apply to the following activities:-

- (a) Aid granted in the fishery 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.
- (b) Aid for processing and marketing of agricultural products in the following cases
 - i. where the amount of the 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
 - ii. where the aid is conditional on being partly or entirely passed on to primary producers;
- (c) Aid to facilitate the closure of uncompetitive coal mines, as covered by Council Decision No 2010/787;

Where an undertaking is active in the excluded sectors as referred to in point (a) or (b) and also in sectors which fall within the scope of this Scheme, this Scheme applies only to aid granted in respect of the latter sectors or activities. Enterprise Agencies must ensure by appropriate means, such as separation of activities or distinction of costs that the activities in the excluded sectors do not benefit from the aid granted in accordance with this Scheme.

6.3 The following aid is not permitted under the scheme:-

- (a) Aid to export related activities towards third countries or Ireland, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity;
- (b) Aid contingent upon the use of domestic over imported goods;
- (c) Operating aid;

- (d) Ad hoc aid;
- (e) Aid subject to conditions that the beneficiary establish its headquarters in Ireland or to be predominantly established in Ireland.
- (f) Aid measures where the grant of aid is subject to the beneficiary's use of nationally produced goods or national services.
- (g) Aid exceeding the threshold amounts for environmental aid as set out in the Regulation.
- (h) Aid other than environmental aid.

6.4 The following beneficiaries are ineligible for aid under the scheme:

- (a) A beneficiary who is subject to an outstanding recovery order following a previous Commission decision declaring the aid illegal and incompatible with the internal market.
- (b) A firm in difficulty as defined by Article 2(18) of the Regulation.

7 Categories of environmental aid

Investment aid can be granted to undertakings for the below categories of Environmental Aid and subject to the conditions laid out in the relevant Articles of Regulation:

- (a) Going beyond Union standards in the absence of Union standards (Article 36)
- (b) Early adaption to future Union standards (Article 37)
- (c) Energy efficiency measures (Article 38)
- (d) High efficiency cogeneration (Article 40)
- (e) The promotion of energy from renewable sources (Article 41)
- (f) Remediation of contaminated sites (Article 45)
- (g) Energy efficient district heating and cooling (Article 46)
- (h) Investment aid for waste recycling and re-utilisation (Article 47)
- (i) Energy infrastructure (Article 48)
- (j) Environmental studies (Article 49)

8 Eligible projects

8.1 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.

- (a) Aid shall not be granted where investments are taken to ensure that undertakings comply with Union standards.
- (b) The aid shall fulfil one of the following conditions:-
 - it will increase the level of environmental protection by going beyond Union standards irrespective of the presence of mandatory standards that are more stringent than Union standards; or
 - it will increase the level of environmental protection in the absence of Union standards.

- (c) The eligible costs shall be the extra investment costs which are directly linked and necessary to the achievement of going beyond Union standards or the increase of environmental protection in the absence of Union standards.
- (a) The aid intensity shall not exceed 40 % of the eligible costs and may be increased by 10% for medium sized undertakings and 20% for small undertakings and by 5% for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 - 2020

8.2 Investment aid for early adaption to future Union standards

- (a) The Union standards shall have been adopted and the investment shall be completed at least one year before the entry into force of the standard concerned.
- (b) The eligible costs shall be the extra investment costs directly linked and necessary to the achievement of going beyond the applicable Union standards.
- (c) The aid intensity shall not exceed the following:-
 - 20% of the eligible costs for small undertakings 15% of the eligible costs for medium sized undertakings and 10% of the eligible cost for large undertakings provided that the investment is completed more than three years before the date of entry into force of the new Union standard; or
 - 15% of the eligible costs for small undertakings, 10% of the eligible costs for medium – sized undertakings and 5% of the eligible costs for large undertakings if the investment is completed between one and three years before the date of the entry into force of the new Union standard.
- (d) The aid intensity may be increased by 5% for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 – 2020.

1.1 Investment aid for energy efficiency measures:

- (a) Aid shall not be available to ensure that undertakings comply with Union standards already adopted even if they are not in force.
- (b) The eligible costs shall be the extra investment costs necessary and directly linked to the achievement of the highest level of energy efficiency.
- (c) The aid intensity shall not exceed 30 % of the eligible costs and may be increased by 10% for medium sized undertakings and 20% for small undertakings and by 5% for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 – 2020

8.3 Investment aid for high – efficiency cogeneration.

- (b) Investment aid shall be granted in respect of newly installed or refurbished capacities.
- (c) The eligible costs shall be the extra investment costs for the equipment needed for the installation to operate as a high-efficiency cogeneration installation compared to conventional electricity.
- (d) The aid intensity shall not exceed 45% of eligible costs and may be increased by 10% for medium sized undertakings and 20% for small undertakings and by 5%

for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 – 2020

8.4 Investment aid for the promotion of energy from renewable sources.

- (a) Investment aid for the promotion of energy from renewable sources shall be granted provided the investment is linked to an achievement of a higher level of environmental protection.
- (b) Investment aid for the production of biofuels shall be granted to the extent that the aided investments are used for the production of sustainable biofuels other than food – based biofuels.
- (c) Aid shall be granted for biofuels which are subject to a supply or blending obligation.
- (d) Aid shall not be granted for hydropower installations that do not comply with Directive 2000/60 /EC.
- (e) The aid shall be granted to new installations only.

The eligible costs shall be the extra investment costs necessary to promote the energy from renewable sources. They shall 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 shall constitute the eligible costs;
- (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 costs of both investments identifies the environmental protection-related cost and constitutes the eligible costs;
- (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.

The costs not directly linked to the achievement of a higher level of environmental protection shall not be eligible.

The aid intensity shall not exceed:

- (a) 45% of the eligible costs if the eligible costs are calculated on the basis of points (i) or (ii) above;
- (b) 30% of the eligible cost if the eligible costs are calculated on the basis of point (iii) above.

The above intensities may be increased by 10% for medium sized undertakings and 20% for small undertakings and by 5% for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 - 2020

Where aid is granted in a competitive bidding process on the basis of 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.

8.5 Remediation of contaminated sites

- (a) Investment aid to undertakings repairing environmental damage by remediating contaminated sites.
- (b) The investment shall lead to the repair of the environmental damage, including damage to the quality of the soil or of surface water or groundwater.
- (c) Where the legal or physical person liable for the environmental damage under the law applicable in each Member State without prejudice to the Union rules in this matter is identified, that person must finance the remediation in accordance with the 'polluter pays' principle, and no State aid shall be granted. Where the person liable under the applicable law is not identified or cannot be made to bear the costs, the person responsible for the remediation or decontamination work may receive State aid.
- (d) The eligible costs shall be 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 the remediation of contaminated sites.
- (e) Evaluations of the increase in value of the land resulting from remediation shall be carried out by an independent expert.
- (f) The aid intensity shall not exceed 100% of the eligible costs.

8.6 Energy efficient district heating and cooling

- (a) Investment aid for the installation of energy efficient district heating and cooling system.
- (b) The eligible costs for the production plant shall be the net extra cost 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 system.
- (c) The aid intensity shall not exceed 45% of eligible costs and may be increased by 10% for medium sized undertakings and 20% for small undertakings and by 5%

for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 - 2020.

- (d) The eligible costs for the distribution network shall be the investment costs. The eligible costs for the distribution network shall not exceed the difference between the eligible costs and the operating profit. The operating profit shall be deducted from the eligible cost ex ante or through a claw back mechanism.

8.7 Investment aid for waste recycling and re-utilisation

- (a) The investment aid shall be granted for the recycling and re-utilisation of waste generated by other undertakings. Aid for investments relating to the recycling and re-utilisation of the beneficiary's own waste is not eligible.
- (b) The recycled or re-used materials treated would otherwise be disposed of, or be treated in a less environmentally friendly manner. Aid to waste recovery operations other than recycling is not eligible.
- (c) The aid shall 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.
- (d) The investment shall not merely increase demand for the materials to be recycled without increasing collection of those materials.
- (e) The investment shall go beyond the state of the art.
- (f) The eligible costs shall be the extra investment costs necessary to realise an investment leading to 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 the aid.
- (g) The aid intensity shall not exceed 35% of the eligible costs and may be increased by 10% for medium sized undertakings and 20% for small undertakings and by 5% for investments located in assisted areas as outlined in Ireland's Regional Aid Map 2014 - 2020.

8.8 Energy infrastructure

- (a) Investment aid for the construction or upgrade of energy infrastructure.
- (b) Aid shall be granted for energy infrastructure located in assisted areas as outlined in Ireland's Regional Aid Map 2014 - 2020.
- (c) The energy infrastructure shall be subject to full tariff and access regulation according to internal energy market legislation.
- (d) The eligible costs shall be the investment costs.
- (e) The aid amount shall 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.
- (f) Aid for investments in electricity and gas storage projects and oil infrastructure are not eligible.

8.9 Aid for environmental studies

- (a) Aid shall be available for environmental studies provided they are directly linked to investments.
- (b) Aid shall not be granted for large undertakings 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 the Directive.
- (c) The eligible costs shall be the costs of the studies.
- (d) The aid intensity shall not exceed 50% of the eligible costs and may be increased by 20% for studies undertaken on behalf of small enterprises and 10% for studies undertaken on behalf of medium size enterprises.

9 Form of Aid

Only transparent forms of aid may be paid, (i.e. in which it is possible to calculate precisely the gross grant equivalent as a percentage of eligible expenditure ex ante without need to undertake a risk assessment) such as capital grants, and feasibility studies grants.

10 Definitions

For the purposes of this scheme the definitions set out Article 2 and the definitions section for environmental aid in the Regulation, on the application of Articles 107 and 108 of the TFEU to investment shall apply.

11 Period of Validity

This scheme shall operate from 1 July 2014 until 31 December, 2020.