

Competitiveness and Innovation Framework Programme

Eco-Innovation



User Guide

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1. Promoting eco-innovation

THE FACTS

In recent years, the eco-industries have emerged as an important segment of the European economy:

- Turnover in Europe of around €227 billion (2.2% of EU GDP)
- 3.4 million people directly employed by European eco-innovation industry¹
- €977 million total European cleantech venture capital investment in 2007 (20% growth compared to 2006)²
- Europe has roughly one third of the world market of eco-technologies

THE OPPORTUNITIES

- World market on eco-technologies is projected to double from its current level to €2200 billion by 2020.³
- Many technological and business innovations already in place that can significantly benefit the environment and have proven track record

THE RISKS

- Market barriers such as lock-in to existing technologies, price signals that favour less eco-efficient solutions, difficult access to finance and low consumer awareness prevent the full market exploitation of existing technologies

THE ANSWERS

- Just recently, the European Economic Recovery Plan⁴ has earmarked the fostering of climate change mitigation technologies as an important strategy to boost the European economy.
- Environmental Technologies Action Plan (ETAP)⁵
- [Competitiveness and Innovation Framework Programme](#) (2007-2013)⁶ or CIP attributing EUR 433 million to eco-innovation.

¹ "Innovative environmental growth markets from a company perspective", Roland Berger Strategy Consultants, Dessau-Rosslau, November 2007

² <http://cleantech.com/about/pressreleases/040708.cfm>

³ Roland Berger Strategy Consultants 2007

⁴ COM(2008) 800 final, of 26 November 2008 'A European Economic Recovery Plan'.

⁵ COM(2004) 38 final, of 28 January 2004 'Stimulating Technologies for Sustainable Development: an Environmental Technologies Action Plan for the European Union'.

⁶ Decision No 1639/2006/EC of the European Parliament and of the Council, of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)

2. Eco-innovation in the Competitiveness and Innovation Programme (CIP)

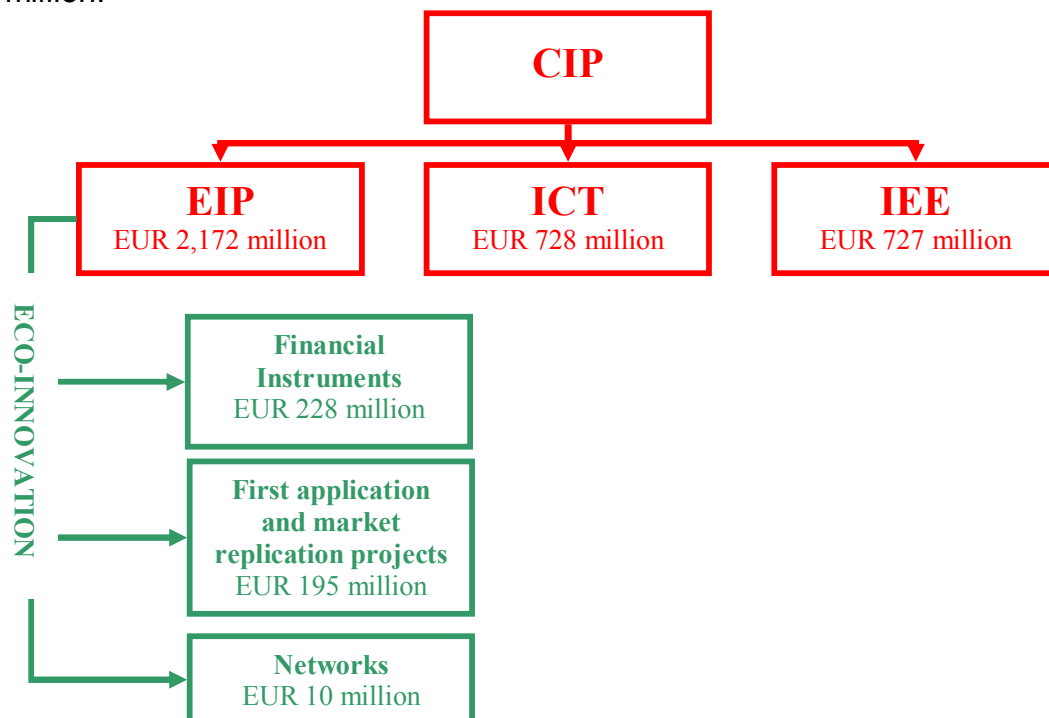
The [Competitiveness and Innovation Programme](#) (CIP) has a budget of EUR 3 621 million and a range of actions supporting innovation and Small and Medium Enterprises (SMEs)⁷. The CIP comprises three main sub-programmes: [Entrepreneurship and Innovation \(EIP\)](#), [Information and Communication Technologies \(ICT\)](#), and [Intelligent Energy Europe \(IEE\)](#).

Renewable energies and energy efficiency are specifically addressed by the IEE programme.

In the EIP, 433 million Euro (out of EUR 2 172 million) are earmarked for specific support actions on eco-innovation. The text of the CIP decision introduces eco-innovation as follows: *eco-innovation is any form of innovation aiming at significant and demonstrable progress towards the goal of sustainable development, through reducing impacts on the environment or achieving a more efficient and responsible use of resources, including energy. Eco-innovation is a progressive concept: the CIP programme must remain responsive to changes.*

Eco-innovation is supported through three types of measures:

- **Financial instruments** (in particular the support to investment funds active in eco-innovation) with an indicative budget of € 228 million (2007-2013),
- **First application and market replication projects**, with an indicative budget of € 195 million (2008-2013),
- **Networks** of national and regional actors, with an indicative budget € 10 million.



⁷ Commission Recommendation 2003/361/EC of 6 May 2003

3. CIP Eco-innovation and other EU programmes

The CIP Eco-innovation funding scheme fits within a range of instruments, the European Union has introduced to support research and innovation to enhance the competitiveness of the European economy based on the Lisbon Strategy.⁸ Eco-innovation is an important, cross-cutting issue across these instruments. The following image and table present the main schemes, which can support eco-innovation, and outline the main differences.



<p><u>7th Framework Programme for Research and Technological Development (7th FP RTD):</u></p> <ul style="list-style-type: none"> • Environmental component focuses on research, development and demonstration • Mainly project funding for eco-innovation 	<p>CIP Eco-innovation:</p> <ul style="list-style-type: none"> • Products/practices whose technical performance and economic feasibility have been validated • Products/practices, which have not yet been commercialised due to market barriers • Mix of project funding, networks and financial instruments
<p><u>Structural and Cohesion Funds:</u></p> <ul style="list-style-type: none"> • Target specific geographical area • Helps regions to build up research and innovation capacity 	<ul style="list-style-type: none"> • Target specific themes (e.g. sustainable construction) • Can serve to reinforce and/or prepare the way for actions within Structural and Cohesion programmes

⁸ COM(2007) 474 final, of 16 August 2007 'Competitive European Regions Through Research and Innovation: A contribution to more growth and more and better jobs'

LIFE+ Environment Policy & Governance:

- bridge the gap between research and development results and widespread implementation
- innovative solutions that have a **public dimension**
- projects lead by **public actors** and/or private actors having a mission of **general interest**

- bridge the gap between research and development results and widespread implementation
- **market oriented activities** oriented towards commercialisation on the competitive market

While it is not possible to combine funding from different Community sources for the same set of eligible costs, funding might be granted from different programmes for different aspects or phases of a programme. For example, a successful research project funded under the 7th FP RTD could be funded under CIP eco-innovation in its commercialisation and market exploitation phase.

The above table is not comprehensive, focussing only on the main distinguishing characters between the funding programmes. For more specific information on each of the programmes, please visit the respective websites.

For further information consult the practical guide on the different existing EU funding opportunities supporting Research and Innovation:

http://cordis.europa.eu/eu-funding-guide/home_en.html

For further information on LIFE+, visit:

<http://ec.europa.eu/environment/life/index.htm>

For further information on CIP Eco-innovation: see next pages

4. CIP instruments for eco-innovative SMEs

4.1. Financial Instruments

The financial instruments aim at facilitating the access of SMEs to commercial-type funding, such as risk capital or bank loans, in order to address a crucial factor in the development of innovative companies or companies with a high growth potential:

- For 2007-2013, **€228 million** (i.e. ~ **€30 million per year**) is earmarked to support eco-innovative Small and Medium-Sized companies.
- **Two main instruments:**

➤ High Growth and Innovative Company Facilities (GIF1 & GIF2)

- **GIF 1:** Community participation in risk capital funds established to provide equity to SMEs in the **seed or early development phase**
- **GIF 2:** Community participation in risk capital funds established to provide equity to SMEs in their **expansion phase**
- Higher participation is allowed for risk capital funds whose main focus is on eco-innovation
- Implemented by the **European Investment Fund (EIF)** on behalf of the European Commission

Contacts and Information for Venture and Risk capital funds investing in eco-innovation: <http://www.eif.org/venture/team/index.htm>

Examples of private equity funds supported by the GIF which partially or fully focus on eco-innovation are:

<http://www.capricorn.be/en/cleantech-view/capricorn-cleantech-fund/>
http://www.pinovacapital.com/company_en.html
<http://www.whebventures.co.uk/investment.php>

➤ Capacity Building Scheme (CBS)

- Aims at improving the financial and technical expertise of financial intermediaries investing in SMEs or supplying credit to SMEs
- **Seed Capital Action:** supporting the recruitment and training of additional financial or technology experts (including experts in eco-innovation) in risk capital funds
- **Partnership Action:** providing technical assistance to financial institutions in the new Member States, in order to stimulate the supply of credit to SMEs for eco-innovative activities
- The CBS will be implemented by international financial institutions on behalf of the European Commission

4.2. First Application and Market Replication Projects

Barriers to the market penetration of innovative technologies are particularly important for environmental technologies.

In order to tackle these barriers, CIP eco-innovation will support **projects**:

- Concerned with the first application or market replication of eco-innovative techniques, products or practices, which
- Have already been successfully demonstrated, but
- Due to remaining risks need incentives to significantly penetrate the market.

The **general principles** of this funding scheme are as follows:

- The indicative budget for 2008-2013 is **€195 million** (~€28 million were available for 2008 and ~€30 million will be available for 2009 for funding about 40 projects)
- **Annual Calls for Proposals** for first application and market replication projects
- **Grants** off-setting part of the cost of projects (50 % of total eligible costs from 2009 onwards)
- Implemented by the **Executive Agency for Competitiveness and Innovation (EACI)**
- No obligation of partnership involving partners from different Member States, but European added value as an important award criterion. Partnerships and international activities should be coherent with the project objectives
- Involvement of SMEs in projects is encouraged and will be an advantage in the selection of proposals

The 2008 [Call for Proposals](#) covered the following **priority areas**:

- **Materials Recycling**: e.g. automation, sorting, treatment, post-shredder and separation technologies, as well as business innovations relating to recycling and re-use
- **Buildings**: processes or products as well as building services or integrated approaches for the residential and non-residential sectors, offering significant business opportunities in all phases
- **Food & Drink Sector**: sectors of food and drink with high environmental impacts, such as meat and meat products, followed by dairy products
- **Greening Business/Smart purchasing**: innovative approaches to environmental management systems such as EMAS, increased eco-efficiency or use of eco-labels which reduce the negative impacts of production and consumption patterns on the environment and natural resources

These priority areas were not exclusive and proposals addressing other sectors and/or topics were welcome.

The following **criteria** were assessed:

- **Relevance of the actions** proposed in view of the objectives established in the Call: Innovation and environment
- **Quality** of the proposed actions
- **Impact** on target audience, replication potential and impact on the market
- **Budget** and **cost-effectiveness**, as well as competitiveness
- **European added value**

The next Call for Proposals is planned for April 2009 with a deadline for submission on 10 September 2009. The above mentioned general principles, priority areas and assessment criteria may be subject for change.

For further information and updates on the Call for Proposals, visit:

<http://ec.europa.eu/ecoinnovation>

4.3. Networking

The 2007 report on ETAP⁹ identified the need to establish a best practice scheme for eco-innovation policy for Member States and to ensure a strategic knowledge resource on eco-innovation.

As a result, CIP will support networks active in the field of eco-innovation through:

- mobilising, networking and supporting national or sub-national innovation programmes to exchange information and good practices, analyse common strategic issues and possibly develop joint activities as part of [Europe INNOVA](#)
- supporting specific actions or services offered by national innovation actors (such as innovation agencies), in order to allow for common services or the reciprocal opening of national measures to enterprises located in other Member States as part of [PRO INNO Europe](#)
- The total budget for years 2007-2013 is € 10 million (€ 5 million in 2008/2009)

In November 2008, two Calls for Proposals promoting eco-innovation networks were launched:

➤ **Europe-INNOVA:** European Innovation Platforms for trans-national cluster cooperation, knowledge-intensive services, eco-innovation and the promotion of novel tools and service concepts for innovation support

- **Sectoral partnerships** for the European Innovation Platform on Eco-innovation: development of tools to enable knowledge transfer for innovative SMEs, business support services, etc
- **Eco-Innovation Networked Observatory:** provide essential and up-to-date analyses of environmental technology and eco-innovation markets, including statistics by country and by market segment
- **Strengthening of the eco-innovation community:** eco-business club, steering group, etc.

➤ **PRO INNO Europe:** Fostering trans-national cooperation on support for innovation

- **'Championing eco-innovation':** better policies and instruments in support of eco-innovation, dissemination of promising practice examples across Member States

For further information, visit:

http://ec.europa.eu/enterprise/funding/files/themes_2008/calls_prop.htm

⁹ COM(2007) 162 final, of 2 February 2007, 'Report of the Environmental Technologies Action Plan (2005-2006)'