

# Low Carbon Buildings Programme - Phase 2 Extended (LCBP2E)

## Guidance Notes

These Guidance Notes are for applications to the Low Carbon Buildings Programme - Phase 2 Extended (LCBP2E), which is open to public sector and not-for-profit organisations only. Examples of eligible organisations are given in section 2.1 below.

Grants are available for installations of up to a maximum of 50kW electricity and 300kW heat. Qualifying organisations can apply for 50% of the project cost of installing microgeneration technologies. Products and installers must be selected from specified certification bodies or other government led technology lists, see section 1.1 for details.

**Organisations can apply for a maximum of up to £200,000 in grant funds per site. A site may include more than one building and multiple applications from one organisation for different sites will be considered.**

Please note: this document is intended to provide general guidance only and is not intended to have any legal effect.

Further information can be found at [www.lowcarbonbuildingsphase2.org.uk](http://www.lowcarbonbuildingsphase2.org.uk) or from the Helpline: 08704 23 23 13.

**Private householders should refer to [Phase 1](#) of the Low Carbon Buildings Programme. for information on grants available to them**

For more details, see: [www.lowcarbonbuildings.org.uk](http://www.lowcarbonbuildings.org.uk)

There are two grant application methods, both are outlined in these guidance notes:

- for on-line application please go to the relevant section of the website
- paper application forms can be downloaded from the relevant section of the website

[www.lowcarbonbuildingsphase2.org.uk](http://www.lowcarbonbuildingsphase2.org.uk)

## Section 1

### 1.1 What is the scheme?

The Low Carbon Buildings Programme - Phase 2E (LCBP2E) is a Department for Energy and Climate Change (DECC) scheme offering grants for microgeneration installations by public sector and charitable organisations.

Grants are available for installations of up to a maximum of 50kW electricity and 300kW heat. Qualifying organisations can apply for 50% of the project cost of installing microgeneration technologies. Products and installers must be selected from the Microgeneration Certification Scheme (MCS). In regards to products solar thermal collectors certificated under the Solar Keymark scheme may also be eligible. Biomass boilers and heat pumps between 45kW and 300kW listed on the Energy Technology List (part of the Enhanced Capital Allowance (ECA) Scheme may also be used. Also see section 4.

Further information on products and installers can be found at

[www.microgenerationcertification.org](http://www.microgenerationcertification.org)

[www.eca.gov.uk/etl/find](http://www.eca.gov.uk/etl/find)

[www.estif.org/solarkeymark/productsandcertificates.php](http://www.estif.org/solarkeymark/productsandcertificates.php)

Further information can be found at [www.lowcarbonbuildingsphase2.org.uk](http://www.lowcarbonbuildingsphase2.org.uk) or from the Helpline: 08704 23 23 13.

The scheme is operating in England, Wales, Scotland and Northern Ireland (excluding Isle of Man and the Channel Islands), beginning July 2009, and expects to commit funds through to April 2011, depending on the rate of applications. Once applications are approved, grant claimants will be told the latest payment date of their grant.

Phase 1 of the programme launched in April 2006 and provides microgeneration grants to householders. For more details, see: [www.lowcarbonbuildings.org.uk](http://www.lowcarbonbuildings.org.uk)

### 1.2 How is the scheme managed?

LCBP Phase 2E is part of the UK Environmental Transformation Fund (ETF), a joint DECC/Defra fund to bring forward the demonstration and deployment of low carbon energy and energy efficiency technologies. Further information about the ETF is available from their respective websites [DECC](http://www.decc.gov.uk) or [Defra](http://www.defra.gov.uk).

LCBP2E is being managed by BRE, which is responsible for all stages of the application process.

## Section 2

### 2.1 Who can apply?

Only public sector and not-for-profit organisations. These are likely to include:

- Local authorities
- Housing associations and trusts
- Hospitals
- Schools
- Universities and colleges
- Libraries
- Public service organisations
- Registered charities
- Environmental trusts
- Local community groups governed by written constitution
- Community Amateur Sports Clubs

Please note that whenever such organisations, in performing a general interest task, engage in economic activities, then State Aid rules may apply and grants may not be available. Further details are available in Appendix II.

### 2.2 What can be funded?

Qualifying organisations can apply for 50% of the project cost of installing microgeneration technologies. Grants are available for the purchase and installation of any combination of the following technologies, at one or more buildings within a site owned or leased by the applicant. For electricity generating technologies, the maximum limit for each installation is 50kW in line with the definitions of microgeneration stated in section 82 of the Energy Act 2004. For heat projects the limit has been amended to support larger scale heat projects up to 300kWth.

<b>Technology Type</b>	<b>Capacity</b>	<b>"Eligible costs" in respect of which grant can be claimed</b>
<b>Solar photovoltaics</b>	0.5kWp – 50kWp	Cost of solar photovoltaic generation equipment, plus direct costs of fixing panels to roof/ground mount, any performance displays and connecting to electricity supply, but excluding (a) all VAT on those items; (b) the cost of any extended warranty; and (c) the cost of any other materials, works or other items whatsoever (such as, but not limited to, any cost of general rewiring at a property or tracker systems))
<b>Wind turbines</b>	0.5kWp – 50kWp	Cost of wind turbine generation equipment, plus direct cost of roof/ground mount, any performance displays and connecting to electricity supply, but excluding (a) all VAT on those items; (b) the cost of any extended warranty; and (c) the cost of any other materials, works or other items whatsoever (such as, but not limited to, any cost of general rewiring at property)
<b>Micro Hydro Turbines</b>	Up to 50kWp	Cost of hydro turbine generation equipment, plus direct costs of installing the turbine, any performance displays and connecting to electricity supply, but excluding (a) all VAT on those items; (b) the cost of any extended warranty; and (c) the cost of any other materials, works or other items whatsoever (such as, but not limited to, any cost of general rewiring at property)

<b>Technology Type</b>	<b>Capacity</b>	<b>"Eligible costs" in respect of which grant can be claimed</b>
<b>Solar thermal hot water</b>	Up to 300kWth	Cost of solar thermal hot water panels controllers, solar cylinders, safety components and valves, plus direct costs of fixing panels to roof/ground mount and connecting to water supply for property, but excluding (a) all VAT on those items; (b) the cost of any extended warranty; and (c) the cost of any other materials, works or other items whatsoever.
<b>Heat pumps</b>	Up to 300kWth	Cost of heat generation pipes and other equipment, plus direct costs of ground works for boring vertical or horizontal pipe work and connecting to the electrical supply and heat distribution system at the property, but excluding (a) all VAT on those items; (b) the cost of any extended warranty beyond the one year warranty; and (c) the cost of any other materials, works or other items whatsoever (such as, but not limited to, upgrading of radiators, hot water cylinders other than buffer tanks or other elements of central heating system at property)
<b>Wood pellet stoves, wood fuelled boiler systems<sup>1</sup></b>	Up to 300kWth	Cost of relevant heater/stove/boiler equipment, plus direct costs of connecting the unit to an automated fuel delivery mechanism and connecting to the property's heat distribution system, but excluding (a) all VAT on those items; (b) the cost of any extended warranty; and (c) the cost of any other materials, works or other items whatsoever (such as, but not limited to, upgrading of radiators or other elements of central heating system at the property).

Although only applications that meet the stated limits (50kWel and 300kW th) will be accepted, LCBP2E may contribute to the first 50 kW el of a larger PV installation in a building. For example a 100kW PV panel would be able to apply for a contribution towards 50kW of that installation.

Organisations can apply for a maximum of up to £200,000 in grant funds per site. A site may include more than one building and multiple applications from one organisation for different sites will be considered.

Grants will only be offered, and must only be applied for, towards the reimbursement of particular costs associated with the installation of particular technologies. A list of these eligible costs, by reference to each technology type, is set out in the following table.

<sup>1</sup> Conventional multi-fuel room heaters/stoves (i.e. log/coal) and kitchen ranges (e.g. AGA) – are excluded.

The following general conditions of the scheme apply to all applications:

- **grants will not be payable on any works carried out prior to the date of the Grant Offer Letter. You may wish to wait until you receive the Grant Offer Letter before signing any contracts with suppliers;**
- **the equipment installed must be NEW and not refurbished;**
- **supply and installation of the microgeneration technologies must be carried out by a certificated installer under MCS**
- **technologies must be chosen from the specified products lists, either MCS, solarkeymark for additional solar thermal products or ETL/ECA for biomass boilers and heat pumps between 45 and 300kW;**
- **general costs such as (but not limited to) design, feasibility study, project management, preliminaries, profits, Health & Safety requirements (i.e. asbestos removal) are excluded from eligible costs;**
- **DIY installations will NOT attract a grant.**

## 2.3 Other funding

The applicant is not entitled to receive a grant if the applicant has already received or expects to receive any other funding from the national government or devolved administrations in relation to the proposed technology and/or its installation at that building. This includes any funding under Low Carbon Buildings Phase 1; Bioenergy Capital Grants Scheme; Scottish Community and Household Renewables Initiative; or Scottish Biomass Support Scheme.

However, applicants may receive funding from other public sources (including BIG Lottery and local government) and funding is available from LCBP2E for new technologies, even if other technologies have previously been grant-aided at the same building (e.g. through Clear Skies or PV Major Demonstration Programme). *(See also 10 of Terms & Conditions).*

## Section 3

### 3.1 Microgeneration technologies

#### 3.1.1 Solar photovoltaics

Solar photovoltaic (PV) systems use energy from the sun to convert solar radiation into electricity, which can be used directly to run appliances and lighting, or sold to the national grid, or stored in batteries in off-grid locations.

PV systems perform best in direct sunlight, but continue to perform well in reduced light conditions. Systems come in various forms including solar tiles, roof-integrated panels and on-roof panels. PV systems are also available for cladding buildings and covering walkways.

#### 3.1.2 Solar thermal hot water

Solar panels, also known as "collectors", can be fitted onto or integrated into a building's roof. They use the sun's energy to heat water, or a heat-transfer fluid, which passes through the panel. The fluid is fed to a heat store (e.g. a hot water tank) to provide part of the hot water demand for the building. Usually another heat source will be needed to supplement collectors in winter months. Solar panels can also be used to heat swimming pools.

### 3.1.3 Wind turbines

A wind turbine harnesses energy from the wind to produce electricity. The most common design is of three blades mounted on a horizontal axis, which is free to rotate into the wind on a tall tower or mast. The blades drive a generator either directly or via gearbox (generally for larger machines) to produce electricity.

Wind turbines can be mounted on masts that are free-standing or tethered with wire guys, or on buildings. The greatest amount of power will be generated if turbines have a constant supply of steady wind, and advice should be taken on where to site the turbine to optimise output.

The electricity can either link to the grid or, in the case of off-grid systems, charge batteries. Modern designs can be very quiet in operation.

### 3.1.4 Heat pumps

Heat pumps can be used effectively for space and water heating. Heat pumps take heat energy from a source such as the ground, a body of water (eg river, lake or well) or simply the outside air and transfer it to the building. The heat is upgraded by using a pump and compressor which removes heat from one side of the circuit and ejects it to the other side.

Heat pumps require electricity for their operation and users may consider buying this through a green tariff scheme, which promotes the use of renewable energy sources by power generators.

### 3.1.5 Automated wood-pellet stoves and wood-fuelled boilers

Wood burning systems, unlike other renewable energy sources, emit carbon dioxide. However, as the wood fuel is cultivated, it absorbs the same amount of carbon dioxide as is released when burnt. As such it does not add to the carbon dioxide in the atmosphere.

To be eligible for grant funding, wood-pellet stoves can be used for heating a single room, hot water or an entire building. Wood-fuelled boiler systems must comprise the main heating system of the building, and can be run on logs, wood chips or wood pellets. Care should be taken to ensure that appropriate provision for supply and storage of fuel is made.

Please note: conventional multi-fuel room heaters/stoves (i.e. log/coal) and kitchen ranges (e.g. AGA) are not eligible for funding.

### 3.1.5 Micro-hydro turbines

Hydro-power systems use a turbine to convert the energy stored in water flowing downhill into electricity. Useful power may be produced from even a small stream. The hydro-power source should be relatively close to where the power is needed or to a suitable grid connection.

Hydro systems can be grid-connected or form part of an off-grid power system. In a grid-connected system surplus electricity can be sold to electricity companies. In an off-grid system, electricity can be supplied directly to the devices powered or through a battery bank and inverter set up. A back-up power system may be needed to compensate for seasonal variations in water flow.

## Section 4

### 4.1 Installers

The specific technology to be installed at the building must be supplied and installed by a Certificated Installer certificated for that technology through the government's Microgeneration Certification Scheme (MCS). Certificated status is achieved following satisfactory assessment of the company's documented control systems used to meet the Certification scheme's design and installation requirements, and site inspection of sample installations. For further information and contact details of certificated installers serving your region, please refer to: [www.microgenerationcertification.org](http://www.microgenerationcertification.org).

In line with achieving good value for money you should make sure to obtain at least two quotes from different installers for each technology you are intending to install.

### 4.2 Products

Certificated installers may only specify certificated products, the list of which is also managed by the Microgeneration Certification scheme and included on the website below. This list includes products certificated by MCS and also, for a limited time, products approved under the old Clear Skies scheme. Those products certificated under MCS have undergone a comprehensive registration procedure requiring compliance with strict criteria and current testing standards. Certificated installers of Solar Thermal systems can also, with limitations, specify solar collectors certificated under the Solar Keymark scheme. Heat generating products between 45kW and 300kW thermal products listed on the Enhanced Capital Allowance (ECA) Scheme may also be used.

Any product being considered for subsequent capital grant funding must be new and not refurbished.

For further information on products, please refer to:  
[www.microgenerationcertification.org](http://www.microgenerationcertification.org)  
[www.eca.gov.uk/etl/find](http://www.eca.gov.uk/etl/find)  
[www.estif.org/solarkeymark/productsandcertificates.php](http://www.estif.org/solarkeymark/productsandcertificates.php)

### 4.3 System size

For electricity generating technologies, the maximum limit for each installation is 50kW in line with the definitions of microgeneration stated in section 82 of the Energy Act 2004. For heat projects the limit has been amended to support larger scale heat projects up to 300kWth. Although only applications that meet the stated limits (50kWel and 300kW th) will be accepted, LCBP2E may contribute to the first 50kW of electricity for a larger PV installation in a building.

Any heat installations between 45kW and 300kW will require additional information from the installer in the form of:

- At least one case study of a similar (>45kW) completed installation to include, as a minimum, the following information:
  - Project name, location, client name and contact details
  - Project description
  - Design rationale including site constraints and how overcome (such as access for fuel deliveries)
  - Full, as installed, mechanical (showing flow and return temperatures) and electrical schematics

- Heat loss calculations and explanation of system sizing
- Schedule of all installed equipment
- Copy of the commissioning checklists used during commissioning of the system
- For the grant funded installation, confirmation of its inspection and approval by the local Building Control Department. Such confirmation should be specific to the installation and not generic for a whole site.
- Additional technical information as follows:
  - **Building integration** – basic drawings showing relevant buildings and clearly marking the siting and integration of all aspects of the proposed installation. It should also mention any other innovation related to the system(s) or its architectural integration into the building structure and operation. It is not necessary to provide full architectural plans.
  - **Structural design** – details with accompanying basic drawings of structural aspects of the system – e.g. fixture to the building, weatherproofing, free-standing structures, underground piping etc.
  - **Electrical schematics** – basic electrical schematics/wiring diagrams for all electrical aspects of the installation – in particular for grid-connected components and any electrical protection systems/earthing connections.

## Section 5

### 5.1 How to apply

Applications should be made on-line at [www.lowcarbonbuildingsphase2.org.uk/page.jsp?id=7](http://www.lowcarbonbuildingsphase2.org.uk/page.jsp?id=7)

If for any reason this is not possible, a paper application may be downloaded and printed out from [www.lowcarbonbuildingsphase2.org.uk/page.jsp?id=11](http://www.lowcarbonbuildingsphase2.org.uk/page.jsp?id=11)

There are a number of supporting documents that must accompany the application in electronic form – copies of installer quotations (at least two from different installers) and proof of not-for-profit status, as well as any other technical information see 4.3. For on-line applicants, a password-protected folder is made available for uploading these documents to. If applying by post, these documents must be provided on CD-ROM or floppy disk.

Postal applicants should note that the application form will be revised periodically and you should therefore ensure that you have the latest version.

If at any point you require further assistance, contact the Helpline ( **08704 23 23 13** or access the scheme website at [www.lowcarbonbuildingsphase2.org.uk](http://www.lowcarbonbuildingsphase2.org.uk).

## 5.2 Devolved nations and regions

Where you are asked in the application form to state the country or region of an installation address, one of the following should be used:

### East of England

(Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk, Suffolk)

### East Midlands

(Derbyshire, Leicestershire, Lincolnshire, Northamptonshire, Nottinghamshire, Rutland)

### London

(Inner London, Greater London, Middlesex)

### North East

(Cleveland, Durham, Northumberland, Tyne & Wear)

### North West

(Cheshire, Cumbria, Greater Manchester, Lancashire, Merseyside)

### South East

(Berkshire, Buckinghamshire, East Sussex, Hampshire, Isle of Wight, Kent, Oxfordshire, Surrey, West Sussex)

### South West

(Avon, Cornwall & Isles of Scilly, Devon, Dorset, Gloucestershire, Somerset, Wiltshire)

### West Midlands

(Herefordshire, Shropshire, Staffordshire, Warwickshire, West Midlands, Worcestershire)

### Yorkshire & Humberside

(Humberside, North Yorkshire, West Yorkshire, South Yorkshire)

### Northern Ireland

### Scotland

### Wales

## 5.3 Grant administration process

Prior to making an application, you should ensure that you have fully investigated the microgeneration options for your project and received all necessary quotations and advice from a Certificated installer. We strongly advise however that you do not enter into any binding agreements with suppliers, installers or contractors, in respect of your proposed project, until you have received a decision on your grant application.

Step 1. Complete an on-line or paper application and submit with electronic copies of installer quotations, proof of not-for-profit status and other relevant technical information

Step 2. Receipt of application at BRE will be confirmed via email (or letter if applicant does not have email address) within 2 to 5 working days of receipt by BRE. If you have not received this confirmation 5 working days after submitting (either electronically or by first class post), you should contact the Helpline: 08704 23 23 13

Step 3. Application will be checked to ensure it is compliant with the scheme Terms & Conditions, has been fully completed, and that the required supporting documents have been supplied and are acceptable. The applicant will be contacted where information is missing. It might be necessary to unsubmit an application in order to allow applicants to complete and re-submit the application.

Step 4. A technical appraisal will be made of the application. Project costs, predicted energy yield figures and other technical details provided in the submission will be compared

with assessment criteria, including the benchmarks detailed in Appendix III. A decision will then be made on whether or not a grant can be awarded.

- Step 5. Applicants will be notified of the decision within 15 to 20 working days of receipt of application form at BRE. Unsuccessful applicants will be provided with appropriate feedback and will be allowed to reapply. Grant applications over £100,000 and/or above 45kW thermal will require more detailed assessments and applicants will be notified within 30 to 40 working days.
- Step 6. Successful applicants will receive a Grant Offer Letter detailing the maximum grant offer, proposed technologies and installation addresses. Applicants will be required to sign and return an acceptance letter agreeing to the general scheme Terms & Conditions, and any specific conditions that may be applied as part of the grant offer.
- Step 7. A first stage payment of up to 50% total grant award may be payable on production of appropriate installer invoices, shown as paid.
- Step 8. The final grant claim must be received at BRE within 12 months of the date of Grant Offer Letter, and be accompanied by:
- Originals of relevant Certificated Installer final invoice(s), shown as paid;
  - Additional original invoices in case the certificated installer was sub-contracted by the applicant's main contractor (i.e. invoice from main contractor to applicant and invoice from installer to main contractor) and/or original invoices for other civic work covering eligible costs; shown as paid;
  - Copies or originals of commissioning forms for all technologies installed;
  - Photographs of the installation, showing both the technologies installed and the installation site.
  - Completed feedback form.

In some instances, a site visit may be required prior to grant funds being released. This timescale might change and applicants will be advised of any changes.

## 5.4 Inspection & Monitoring

The installation may be selected for a post-project inspection. These are carried out on a small percentage of all LCBP2E grant-aided installations to ensure that high standards of work are being maintained by installers.

The installation may also be selected for monitoring purposes. The applicant agrees to cooperate with DECC or its representatives to publicise live monitoring data for a period of up to 5 years following payment of the grant. No additional costs would be incurred by the applicant in relation to this.

## 5.5 General compliance

The following summarises some of the key aspects of the complete **LCBP2E Terms & Conditions**, which are available from the Helpline: 08704 23 23 13, and on the scheme website download page at: [www.lowcarbonbuildingsphase2.org.uk](http://www.lowcarbonbuildingsphase2.org.uk)

The full Terms & Conditions will be supplied with any Grant Offer Letter. You should read and satisfy yourself that you understand these Terms & Conditions prior to making an application and, in the event of your application being successful, accepting a grant offer.

- The applicant is only entitled to apply for and receive a grant if the installation supplies a permanent building located in the United Kingdom.
- The applicant must be the freehold owner of the building(s) OR the owner of a leasehold interest in the building(s) with all necessary consents from other owners.

- The applicant must ensure that it has obtained and will continue to maintain all necessary consents and approvals in order to install the technology at the building(s) and to enable the applicant to comply with the scheme terms and conditions.
- Grant funds are limited and grant offers will be made on a "first come, first served" basis, subject to the overall availability of funds. BRE cannot and does not guarantee that any application for a grant will be successful.
- On submitting a grant claim, the applicant must provide BRE with original invoices from the contractor for the supply and installation of each relevant technology, shown as paid.
- The applicant must keep a record of all relevant documentation in relation to the technology and its installation, for at least 6 years following payment of the grant.
- If at any time the applicant uses the technology in any advertising or otherwise publishes any information about the technology, the applicant must make clear as part of the relevant activity that the applicant has received a grant from the DECC under the Low Carbon Buildings Programme. However, the applicant must not do or say anything that may lead a third party to believe that the applicant is acting as an agent of the DECC or BRE.
- The applicant must ensure that in carrying out any activities in connection with the installation and use of the technology the applicant and anyone acting on its behalf complies with all applicable laws and regulations.
- In addition to any other rights it may have under the Terms and Conditions or the general law, BRE may reduce, suspend or withhold payment of any grant, or require all or part of any grant to be repaid, if any one or more of the following events occurs:-
  - a decision is made by the DECC or the European Commission and/or an obligation arises under any applicable law which requires that the grant should be varied, withheld, reduced, cancelled or recovered;
  - any information that the applicant provided to BRE in relation to the grant (whether in the grant application form or otherwise) is subsequently found to be materially untrue, inaccurate or incomplete;
  - the applicant ceases to be eligible to receive a grant (either at all, or at the level previously offered or paid to the applicant by BRE);
  - the applicant fails to comply in any respect with the Terms and Conditions;
  - the applicant or any person employed by the applicant has offered or given or agreed to give any person any improper gift or commission or consideration of any kind in relation to any of BRE's programmes;
  - the applicant becomes insolvent or is wound-up or dissolved or it appears to BRE that the applicant is likely to become insolvent or to be wound-up or dissolved;
  - there has been an overpayment of grant.

Without prejudice to any of BRE's rights under the paragraph above, if it becomes apparent at any time that the applicant incorrectly notified BRE as to the applicant's status for State Aid purposes, i.e. if the applicant indicated to BRE that it was not an "undertaking" when in fact the applicant is an undertaking, a breach of State Aid rules may have occurred and the applicant may be required to pay back the amount of grant received, together with interest on that amount. (*See Appendix II for further guidance*).

## Appendices

### Appendix I. Useful contacts

#### a) Low Carbon Buildings Programme

	Phase 2	Phase 1 – household grants
Helpline:	08704 23 23 13	0800 915 0990
Website:	<a href="http://www.lowcarbonbuildingsphase2.org.uk">www.lowcarbonbuildingsphase2.org.uk</a>	<a href="http://www.lowcarbonbuildings.org.uk">www.lowcarbonbuildings.org.uk</a>
Email:	<a href="mailto:info@lcbpphase2.org.uk">info@lcbpphase2.org.uk</a>	<a href="mailto:info@lowcarbonbuildings.org.uk">info@lowcarbonbuildings.org.uk</a>
Address:	Low Carbon Buildings Programme - Phase 2 c/o BRE Building 17 Garston Watford WD25 9XX	Low Carbon Buildings Programme c/o Energy Saving Trust 21 Dartmouth Street London SW1H 9YY

#### b) Useful websites

DECC's microgeneration homepage	<a href="http://www.DECC.gov.uk/energy/sources/sustainable/microgeneration/index.html">www.DECC.gov.uk/energy/sources/sustainable/microgeneration/index.html</a>
Community Sustainable Energy Programme (CSEP)	<a href="http://www.communitysustainable.org.uk">www.communitysustainable.org.uk</a>
Community Renewables Initiative	<a href="http://www.countryside.gov.uk/LAR/Landscape/CRI/index.asp">www.countryside.gov.uk/LAR/Landscape/CRI/index.asp</a>
Carbon Trust	<a href="http://www.carbontrust.co.uk">www.carbontrust.co.uk</a>
Energy Saving Trust	<a href="http://www.est.org.uk">www.est.org.uk</a>
Micropower Council	<a href="http://www.micropower.co.uk">www.micropower.co.uk</a>
Biomass fuel suppliers	<a href="http://www.biomassenergycentre.org.uk">http://www.biomassenergycentre.org.uk</a> or <a href="http://www.nef.org.uk/logpile">www.nef.org.uk/logpile</a>

## Appendix II. State Aid

### Overview

The European Commission has considerable powers to monitor, control and restrict the forms and levels of aid given by all Member States to undertakings. The objective of State Aid control is to ensure that government interventions do not distort competition and intra-community trade. In this respect, State Aid is defined as an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.

The State Aid rules apply to aid granted by the State or through State resources, and includes any private body established or appointed by the State to administer aid (e.g. BRE administering the Low Carbon Buildings Programme on behalf of DECC).

### Details

Grant awards under the Low Carbon Buildings Programme cannot be made to any organisation or public body which falls within the concept of an 'undertaking', defined by Article 87(1) EC Treaty as any entity engaged in an economic activity, regardless of the legal status of the entity or the way it is funded. An activity can be regarded as 'economic' even if it is not profitable, or if it lacks an economic purpose provided that it is carrying on some commercial activity.

Article 87(1) sets out criteria, all of which must be met for a State Aid to be present:

- The grant favours certain undertakings or the production of certain goods;
- The grant is provided through State resources;
- The grant distorts or threatens to distort competition;
- The grant affects trade between Member States.

If it is absolutely certain that one or more of these conditions is NOT met, then your organisation is not affected by State Aid rules.

### Organisations not covered by State Aid

It is impossible to provide a categorical definition of this because each organisation will have to assess whether it is an undertaking. However, it can be stated that an undertaking is an organisation or individual that carries on an economic activity.

The following types of organisations will be undertakings for the purpose of the State Aid rules:

- Sole traders;
- Partnerships running a business;
- Companies running a business.

However, it is likely that the payment of grants to organisations and public bodies which carry out the following functions and activities will NOT amount to State Aid:

- a. Organisations and public bodies which administer matters which are intrinsically prerogatives of the State (such as ensuring internal and external security, the administration of justice, the conduct of foreign relations and other exercises of official authority - Police Authorities & Government Departments);
- b. Organisations and public bodies which provide services where the State is not seeking to engage in gainful activity but is fulfilling its duty towards its own population in the social, cultural and educational fields (such as national education - Schools, NHS, GP surgeries & Local Authorities);
- c. Organisations and public bodies which provide services/schemes based on the principle of solidarity, which are non-profit-making and where the benefits paid are not proportional to the amount of the compulsory contributions (such as organisations charged with the management of State-imposed compulsory basic social security schemes);
- d. Organisations and public bodies which perform largely social functions, are not profit-oriented and are not meant to engage in industrial or commercial activity (such as the non-economic activities of trade unions, political parties, churches and religious societies, consumer associations, learned societies, charities as well as relief and aid organisations). Please note that whenever such

organisations, in performing a general interest task, engages in economic activities then the State Aid rules can apply.

- e) As a result of a recent decision on State Aid all Housing Associations and Trusts are required to confirm that the properties in question will solely be occupied by disadvantaged citizens or socially less advantaged groups and conform to legislative requirements as set out in part 6 of the Housing Act 1996, as amended by the Homelessness Act 2002. They therefore need to tick the relevant box within section C of the application form.

If an applicant is, or has been determined an undertaking it may still be eligible for a grant provided they can meet the de minimis or block exemption requirements as set out in Article 87 of the EC Treaty.

- o For applicants applying the “de minimis” requirements the total amount of grants received in the last three fiscal years (including the current year) does not exceed 200,000. Also see T&Cs section
- o For applicants applying the “block exemption” the maximum grant is limited to 40% of the difference in eligible costs of installing the proposed technology compared to installing the fossil fuel alternative, see guidance note XX for calculation (40% of total projects costs minus fossil fuel equivalent (£40\*kW)).
  - For example the eligible costs for a 45kW biomass boiler installation are £55,000. The fossil fuel deduction will be £1,800 (or 45kW\*£40). The resulting grant will be £21,280 (or 40% of £53,200).

### Examples

The examples below provide guidance on the way in which certain types of organisation are likely to be classified. Please note that these examples are illustrations only and in each case you will need to assess your organisation’s activities to determine whether your organisation is an undertaking.

#### Example 1

A community group owns and manages a community hall. The community group rents the hall out to local clubs and charges a nominal fee to cover electricity costs. The community group also arranges various fundraising events such as jumble sales and sponsored walks to raise funds for the hall. The community group does not raise funds in any other way. The community group is not an undertaking.

#### Example 2

A charity is set up to protect local wildlife. The charity raises funds through donations and by selling gifts through a mail order catalogue. All the profits raised by sale of goods through the catalogue are used to protect local wildlife. The charity is an undertaking because it carries on commercial activities by selling goods through the catalogue.

### Frequently Asked Questions

#### How do public-private joint ventures (Public Private Partnership or “PPP”) steer clear of State Aid concerns?

Due to the difficulties in determining whether organisations involved in PPPs are undertakings it has been decided that any organisations involved in these initiatives should ask for clarification from the LCBP2E team before applying [info@lcbpphase2.org.uk](mailto:info@lcbpphase2.org.uk).

#### Is funding to universities treated as aid?

Not normally: the funding of universities to provide teaching to students is not deemed State Aid. Neither the Universities nor the students (individuals) are considered to be “undertakings”. However, where Universities enter into collaboration with firms, there may be State Aid present. There will be no State Aid where the firms pay a commercial fee for the use of University facilities or where the results of the collaboration are made available to all-comers, but otherwise, there is a danger of State Aid being present.

#### Why must we comply with the State Aid rules?

The State Aid rules work to create fair competition for UK companies in Europe. Application of the rules means that competitors in other EU Member States cannot receive unlawful State subsidies which distort competition. Unauthorised State Aid is illegal. These are the consequences for giving such aid:

- aid payments can be suspended;
- firms may have to repay the State with interest;
- policies may have to be altered;
- legislation may need to be amended;
- a recipient could be sued by a competitor for damages.

#### I am still unsure about my organisation’s status with regard to State Aid. Where can I go for further advice?

Please see the department’s website [www.berr.gov.uk/bbf/state-aid/advice/index.html](http://www.berr.gov.uk/bbf/state-aid/advice/index.html) for further details.

## Appendix III. Benchmark

Information gathered from section D of the application form will be used to estimate the cost (based on total installation cost) of saving a unit quantity of carbon dioxide over the expected lifetime of the installation. These figures are compared to the following “benchmarks” and if they are higher, it may cause BRE to either:

- reject an application
- reduce the grant amount
- request further information and clarification

The benchmarks (figures in bold) are expressed as £/tonneCO<sub>2</sub>. Please note the benchmark figures may change from time to time and the applicant will need to check these before applying.

	Solar PV	Solar thermal	Heat pumps	Wood pellet stoves	Wood fuelled boilers
	<b>Assumed life (years)</b>				
<b>Displaced fuel/energy</b>	25	20	20	20	20
<b>Electricity</b>	<b>£670</b>	<b>£310</b>	<b>£160</b>	<b>to be confirmed</b>	<b>£250</b>
<b>Natural Gas</b>	N/A	<b>£610</b>	<b>£490</b>	<b>tbc</b>	<b>£230</b>
<b>Oil</b>		<b>£380</b>	<b>£290</b>	<b>tbc</b>	<b>£120</b>
<b>Coal</b>		<b>£470</b>	<b>£86</b>	<b>tbc</b>	<b>£83</b>
<b>LPG</b>		<b>£470</b>	<b>£440</b>	<b>tbc</b>	<b>£185</b>

	<b>Wind turbines ( by size in kW) Assumed life - 20 years</b>				
<b>Displaced energy</b>	less than 1.5	1.6 – 5.0	6.0	15.0	20 and larger
<b>Electricity</b>	<b>£1,049</b>	<b>£490</b>	<b>£420</b>	<b>£260</b>	<b>£300</b>

### Carbon dioxide emissions factors to be used in the £/tonneCO<sub>2</sub> calculations:

Electricity=	0.43 kgCO <sub>2</sub> /kWh	Coal=	0.3 kgCO <sub>2</sub> /kWh
Natural Gas=	0.19 kgCO <sub>2</sub> /kWh	Oil=	0.25 kgCO <sub>2</sub> /kWh
		LPG=	0.21 kgCO <sub>2</sub> /kWh

### Calculation formula:

Heat Pumps, £/tonneCO<sub>2</sub> = (Total cost (based on eligible costs) x 1000) / ((Energy yield – electrical input) x emission factor x assumed life)

Example for Air Source Heat Pump supplying radiators (effective CoP of 1.75), costing £4000 supplying all of an estimated annual heating load of yield of 8,000kWh replacing natural gas:

$$(4,000 \times 1000) / ((8000 - 4571) \times 0.19 \times 20) = \mathbf{£306.88 / tonneCO_2}$$

Where electrical input = Energy Yield / CoP / efficiency adjustment as defined by SAP 2005 in Tables 4a and 4c

All other technologies, £/tonneCO<sub>2</sub> = (Total cost (based on eligible costs) x 1000) / (Energy yield x emission factor x assumed life)

Example for Solar thermal system costing £15,300 with an estimated annual yield of 13,410 kWh:

$$(15,300 \times 1000) / (13,410 \times 0.19 \times 20) = \mathbf{£600 / tonneCO_2}$$