



Lowlands and Uplands Scotland ERDF and ESF Programmes 2007 - 2013 Programme Monitoring Committee

SCOTTISH INNOVATIVE LOW CARBON FUND – OUTLINE PROPOSAL

1. Policy Context

- 1.1** The Scottish Government plans to move towards a low carbon economy in Scotland as part of the Government's overarching Economic Strategy. Scotland is committed to ambitious statutory targets and reducing emissions, as required by the Climate Change (Scotland) Act 2009. This fundamental transition towards a low carbon economy will transform the Scottish economy and deliver sustainable economic growth for Scotland. This transition requires alignment of effort and engagement of the key stakeholders. The Scottish Government, in conjunction with Scottish Enterprise, HIE and other economic development bodies, issued a discussion paper on the low carbon economy on 22 March 2010, and is committed to publishing a Low Carbon Economy Strategy in the autumn.
- 1.2** As part of the transition, Scottish Enterprise and Highlands and Islands Enterprise, SEPA and the academic sector are collaborating on a project to develop the Environmental and Clean Technology (ECT) sector in Scotland. The project will focus in the first instance on the development of technologies in relation to recovery and recycling; water and waste water treatment; sustainable transport; sustainable buildings; and environmental monitoring and instrumentation.
- 1.3** Recent research has shown that the Scottish Low Carbon and Environmental Goods Sector were worth £8.5billion in 2007/2008 and is forecast to grow to around £12billion by 2015/2016. It is now estimated that concerted action combined with an expanding global market could increase low carbon employment in Scotland to around 130,000 by 2020 from the current figure of some 70,000.
- 1.4** The implications are far-reaching across the whole of the economy. We have an opportunity to develop new, low carbon products and services to both accelerate economic recovery in the short-term as well as drive long-term sustainable economic growth. In short, 'low carbon' is an environmental and economic imperative.

2. Project Description

- 2.1** The Scottish Innovative Low Carbon (SILC) Fund will provide financial support for individual enterprises, and for collaboration between industry, academia and the public sector in the delivery of innovative low carbon technology demonstration projects. The SILC Fund will act as an important contributor to stimulate the active participation of

Scottish SMEs in low carbon demonstration projects, and to deliver on the strategic Government priorities for development of the low carbon economy through the energy and environmental and clean technologies (ECT) sectors.

3. Aim and Objectives

- 3.1** To create new industry-academic-government low carbon demonstration hubs, focused on innovative low carbon technologies in the energy and ECT sectors where Scotland has advantage;
- 3.2** To provide financial support to SMEs seeking funding for commercial scale demonstration of innovative low carbon technologies in the energy and ECT sectors;
- 3.3** To foster collaborative low carbon demonstration projects between SMEs, the higher education sector and large utility companies;

4. Why Grant is Needed

- 4.1** Development of the low carbon economy has been identified by the Scottish Government and the Enterprise networks as the core of Scotland's future approach to securing sustainable economic growth. Both Energy and ECT have been identified as key sectors to securing this investment and catalysing low carbon growth. To date, whilst Scottish companies and universities have had significant success in R&D in the Energy and ECT sectors, there remain substantial funding barriers to the effective commercial demonstration of low carbon technologies. During the 2010s, Scotland needs to develop clear hubs that can lead on the demonstration of these technologies (especially in the marine, offshore wind, carbon capture and storage and ECT sub-sectors) and bring them to the maturity where they can be widely deployed (and exported) during the 2020s. Early intervention to support these hubs, and to support collaborative demonstration projects will maximise Scotland's competitive advantage in the race to successfully demonstrate these technologies for global deployment.
- 4.2** The SILC Fund will act as an initial catalyst to the development of these demonstration hubs and associated demonstration projects, and will work alongside existing support from the Enterprise Networks and the Scottish Funding Council whose priorities for funding and intervention are being reprioritised to focus on development of the low carbon economy. This proposed initiative and prospective investments may in turn lead to the development of demonstration projects that can be co-financed under the EU's New Entrants Reserve and proposed Low Carbon Demonstration Financing Facility calls, which will be used to support large scale demonstration programmes under the EU's 2010-20 Strategic Energy Technology Plan.
- 4.3** Without this support, there is a danger that the Structural Funds Programmes will fail to leave a legacy in moving the Energy and ECT sectors from their strong R&D base into the more challenging demonstration and deployment of innovative low carbon technologies. This shift towards demonstration and deployment must be delivered over the next decade if the substantial emissions reductions required in Scottish, UK and EU legislation are to be met. The SILC Fund should assist in moving projects towards

successful commercial demonstration, after which they can then benefit from the more significant financing programmes available under the EU as well as securing private capital.

5. Timescale

- 5.1** The Fund would operate from 2010-14, with applications open throughout this period to match call timetables from other funds.

6. Target Group

- 6.1** The SILC Fund will be targeted at industrial and higher education partners seeking to establish low carbon demonstration hubs for specific Energy and ECT technologies; and at SME, academic and industrial partners seeking funding support for commercial scale demonstration projects for low carbon technologies such as marine, offshore wind, carbon capture and storage and ECT.

7. Geographical Coverage

- 7.1** The funds will be available throughout the LUPS Programme area and we will explore further opportunities to lever in additional funds from the Highlands and Islands Programme.

8. Partnership

- 8.1** The SILC Fund will be implemented through the standard LUPS appraisal system. It will receive policy advice from and work actively with SEPA, Scottish European Green Energy Centre (SEGEC), and the Energy Technology Partnership. Match funding contributions will come from the Enterprise networks' demonstration programmes (e.g. R&D Plus) and from the Scottish Funding Council's Horizon Fund.

9. Outcomes

- 9.1** The key outcomes from the SILC Fund will be to have successfully moved Scotland's position in the low carbon innovation chain by the end of the 2010s from our existing R&D achievements into commercial scale demonstration of new technologies in the Energy and ECT sectors. The development of the low carbon demonstration hubs for specific technologies will maximise collaboration between industry and academia and position Scottish low carbon technologies for widespread commercial deployment in the 2020s.

10. Evaluation and Dissemination

- 10.1** The project will be evaluated through the ongoing monitoring activity and regular evaluations of project bids and balance of spend to be undertaken by the Scottish European Green Energy Centre, in partnership with the Energy Technology Partnership. Dissemination activity for the low carbon demonstration projects will be undertaken by SEGEC as part of its existing remit for widespread dissemination of Scotland's low carbon expertise online, through conferences, networking seminars and in technical and public policy journals.

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