

Green Heat Hub Grand Challenge

Guidance for Applicants

September 2022

Green Heat Hub Grand Challenge Guidance

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1. What is the Green Heat Hub Grand Challenge?

The Expert Advisory Group was formed to make recommendations to Scottish Ministers on the scope of a potential Heat Pump Sector Deal for Scotland. This final report includes the Group's recommendations and conclusions from their work. Recommendation 2 states:

Scotland's enterprise agencies should work with industry to support Scotland as a global centre of excellence for heat pump manufacture.

With a forecast surge in installations of heat pumps as net zero pathways are taken across Europe and globally, there are opportunities for Scotland to be a strategic location for heat pump manufacture. The planned pace and scale of domestic heat pump deployment in Scotland will provide an attractive environment for manufacturers to develop an early market advantage in understanding consumer issues and in innovative solutions to technical and deployment challenges.

There is also an opportunity for Scottish industry in the tier 2 supply chain, where the local sourcing of components and parts can increase manufacturing efficiency and help minimise the carbon generated in making them.

*In particular, Scotland should consider options for creating, with heat pump industrial stakeholders, **a heat pump industry hub** to both directly support the large-scale roll-out of heat pumps in Scotland and ensure that this drives maximal economic opportunities and jobs for Scotland.*

The aim of the Green Heat Hub Grand Challenge is to support the development of this ambition which builds on the Expert Advisory Group's recommendation. Applicants should consider heat pumps, energy efficiency, and heat network manufacturing in their proposals. The approach has been designed to facilitate collaboration between industry and academia to develop a response to the recommendation. The Grand Challenge will be launched to companies, academia and third sector to work in a collaborative way to bring forward project proposals. This is a two-stage process, the first stage for Consortia to provide a summary of their proposal. Consortia invited to stage 2 will be awarded up to £75,000 grant to fully develop their proposal.

2. Background

The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 set legally binding targets for Scotland to achieve net zero greenhouse gas emissions by 2045, with interim targets requiring a 75% reduction by 2030, and 90% by 2040. As set out in the Scottish Government's new [Heat in Buildings Strategy](#) (published 7 October 2021), the vision is that by 2045 our homes and buildings are cleaner, greener, and easier to heat, with our homes and buildings no longer contributing to climate change, as part of the wider just transition to net zero.

Within the Heat in Buildings Strategy it is recognised we need to move away from fossil fuels to green heat solutions, such as heat pumps, energy efficiency, and heat network manufacturing. Scotland must rapidly scale up deployment of zero emissions heating systems from 3,000 per year today to over 200,000 per year by the late 2020's. By 2030 over 1 million homes currently on the gas grid, 170,000 homes off the gas grid and 50,000 non-domestic buildings are planned to be converted to zero emissions heat.

The delivery of decarbonising of heat will rely on capabilities within the company base. The Heat Pump Sector Deal Expert Advisory Group was formed to make recommendations to Scottish Ministers on the scope of a potential Heat Pump Sector Deal for Scotland. In December 2021 this group published a final report with a series of recommendations. The Group recommended that Scotland's enterprise agencies should work with industry to support Scotland as a global centre of excellence for heat pump manufacture.

In particular, Scotland should consider options for creating, with heat pump industrial stakeholders, a heat pump industry hub to both directly support the large-scale roll-out of heat pumps in Scotland and ensure that this drives maximal economic opportunities and jobs for Scotland.

Scottish Enterprise has ambitions for the Green Heat Hub to position Scotland as the leading location in Europe for green heat solutions (particularly heat pumps, energy efficiency and heat networks) by building on existing company capability, particularly in leading demonstrator projects and capitalising on academic strengths. Following consultation with industry the following objectives were developed:

- Be a **focal point for inward investors** to support the attraction of new heat pump & heat network companies and the supply chain, demonstrating that Scotland can provide a ready-made support system for their growth;
- Be a **centre for collaboration** for all companies but also with potential customers and new entrants to the industry, to support competition and collaboration;
- **Anchor the companies in Scotland** through support for their growth that reflects the market growth requirements across Europe;
- **Act as a window** or a viewpoint of the green heat solutions of the future, through facilitated visits to existing and new demonstrators and providing leading intelligence on the market and industry requirements;
- **Address any challenges** the growing industry will need to meet such as skills through facilitation or direct support;
- Enable **industry leadership** in green heat solutions with companies invested and investing in the centre;
- Work with existing organisations and stakeholders to **provide a focus for growth support for the industry.**

3. Dates

Stage 1 opens	22 nd September 2022
Stage 1 closes	18 th November 2022
Stage 1 assessment decision	9 th December 2022
Stage 2 opens	12 th December 2022
Stage 2 closes	14 th April 2023
Stage 2 assessment decision	May 2023

Following the closure of the Green Heat Hub Grand Challenge (after applicants are notified), a review meeting will be held with the preferred consortium/consortia, Scottish Enterprise will work with public sector partners to further review the project proposal.

4. Who can Apply?

Lead Consortium Applicants must:

- be an SME or large company, or an academic institution (Scotland's universities, colleges, research and technology organisations (RTOs)).
- be based in Scotland and have a Scottish registration address
- be a legal entity, which is defined as having the legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued, and to be held responsible for its actions.
- demonstrate that they have sufficient capacity (skills, expertise and relevant experience) to manage the development of the proposal
- be responsible for all aspects of project delivery, monitoring and reporting, including, but not limited to:
 - submission of accurate information as part of the application
 - acceptance of funding from Scottish Enterprise, including any standard or special conditions
 - ensuring special drawing rights compliance in respect of the use of any funding provided
 - cash-flow management, submission of claims
 - reporting progress of the proposal development

Consortium Members:

- It is not mandatory for all consortium partners to be listed at Stage 1; however, it is a requirement for all partners to be included and confirmed at Stage 2.
- Consortia must be collaborative and include at least one company and at least one research organisation in the consortium.
- Additional members of the consortium can include:
 - companies & research and technology organisations;
 - colleges;
 - public sector agencies (public bodies that are funded by the Scottish Government including local authorities and their related agencies in Scotland, excluding Scottish Enterprise, South of Scotland Enterprise, and Highlands and Islands Enterprise);

- and third sector (charities, not for profit companies, organisations that directly or indirectly receive over 50% of core funding (excluding European funding) from the public sector, co-operatives).
- Applicants cannot be participants in more than one consortium.
- Any Scottish company claiming funding must be eligible to receive a subsidy via the proposed grant and be compliant with the relevant subsidy control regulations. It is your responsibility to make sure that your organisation is eligible to receive subsidy control. We are not authorised to provide advice on subsidy control, if you are unsure, please take legal advice.
- At least one of the members of the consortium organisation must be able to demonstrate ability and experience in developing large scale business cases.
- Consortium must have sufficient administrative and financial capacity to carry out the project.

Consortium Agreements:

- A consortium agreement should be in place by Stage 2. Scottish Enterprise reserves the right to request a copy.
- Scottish Enterprise will be responsible for administering the grant funding to lead consortium applicants. It is the responsibility of the lead applicant to disseminate funding across consortium partners. Funding for the challenge will be subject to Scottish Enterprise Terms and Conditions.

5. What are we looking for?

Your proposal must explain how the Green Heat Hub can contribute to delivering a significant positive impact on economic growth within green heat manufacturing in Scotland.

Consideration should be given to the following:

- Proposals must align with the Scottish Government's [Heat in Building's strategy](#)
- Proposals must deliver against the Green Heat Hub objectives outlined in Section 2
- Determine a name for the Green Heat Hub (this is a working title)
- Define the challenge(s) the growing industry is going to meet, and identify solutions
- Determine the delivery structure and potential services
 - Geographical reach and economic impact must be Scotland wide
 - Maximise regional strengths, existing assets and services
- Determine the operational delivery of the project
 - Financial models, including underlying assumptions should be prepared. Consider capital and operational expenditure, as well as investment to create the Green Heat Hub and how companies and partners will be attracted to invest
 - Consider other income streams to ensure the Green Heat Hub is self-sustaining
- The Green Heat Hub should define Scotland as a global centre of excellence for green heat manufacture
- Consideration should be given to resource efficiency, productivity and opportunities to maximise the circular economy.

Consortium staff costs and any required external consultancy to develop the project proposal will be eligible towards grant funding, up to a maximum of £75,000. If you plan to use subcontractors, explain how they will be used and the costs of each.

6. How to Apply?

The Grand Challenge has two stages:

Stage 1: Pre-proposal form: Consortia will set out plans for collaborative project proposals. This must be submitted by the lead consortium applicant to enquiries@scotent.co.uk by 18th November 2022.

Basic due diligence will be carried out against all consortium members before proceeding to Stage 2. Following assessment, pre-proposals which have met the Stage 1 scoring criteria will be invited to proceed with Stage 2.

Further Stage 1 guidance is available in the pre-proposal application form.

Stage 2:

Successful Stage 1 consortia applicants will be invited to proceed with Stage 2 which will be to develop a full project proposal. Up to a maximum of £75,000 will be awarded to each consortium as a single payment in arrears.

You should make sure that your approach to costing your proposal is clear and transparent and provides a clear sustainable financial model with evidence of all funding partners, any funding gaps and identified sources of income.

Proposals should be developed with a level of ambition that meets the scale of the opportunity in Scotland and to ensure that the Green Heat Hub supports manufacturers and their supply chains to meet the Scottish Government's Heat in Buildings Strategy and the wider just transition to net zero.

Stage 2 closes on the 14th April 2023. Following independent assessment, Stage 2 consortia will be notified of reviewers' decision.

7. How will we assess your application?

A panel, made up of Scottish Enterprise and key stakeholders, will assess the Stage 1 proposals against scoring criteria. Lead consortium applicants will be advised of the decision and given feedback on their applications. Successful consortia will proceed to Stage 2.

Once full project proposals have been submitted, consortia may be invited to take part in an assessment presentation day. Due diligence may be carried out to assess financial and commercial viability of the project proposals.

Stage 1: Pre-Proposal Form

The following checklist will be used by an assessment panel to assess the eligibility of pre-proposal form.

No.	Eligibility Criteria
1.	Is the lead applicant a company or research organisation?
2.	Is the lead applicant a legal entity?
3.	Does the lead applicant have a geographical base in Scotland and a Scottish registration address?
4.	Does the application demonstrate Scotland wide reach?
5.	Does the proposed consortium include at least one business and one research organisation?
6.	Has the lead applicant confirmed that they accept responsibility for the overall management and delivery of the project, including the flow of funding between partners, the provision of evidence to support claims, and progress reporting?
7.	Has the Lead Applicant demonstrated that they have the necessary skills and sufficient administrative and financial capacity to carry out the project?
8.	Is the lead applicant eligible for subsidy control?
10.	Are all the activities and costs for which the Lead Applicant is requesting funding eligible?
11.	Does the application outline anticipated costs in creating a full project proposal?
12.	Does the proposal consider the objectives of the Green Heat Hub Grand Challenge?
13.	Is an applicant a member of more than one consortium?

Stage 2: Full Project Proposal:

Applications will be verified to ensure that the eligibility check already done at Stage 1 is still valid. Project proposals will be assessed against scoring criteria (available to applicants at Stage 2).

8. Funding

Applicants that are successful in proceeding to Stage 2 will be able to apply for grant funding of up to £75,000 in arrears from Scottish Enterprise. This funding can be utilised to help consortium to complete the full project proposal. Eligible costs include personnel costs, consultancy fees, material costs and market assessment. Travel and subsistence costs can make up to 10% of eligible costs.

9. Terms and conditions

Full Terms and Conditions are given in the application forms. Scottish Enterprise reserve the right to not progress any application if they are deemed unable to meet Scotland's vision for the future of heat in buildings, climate change commitments, exploit economic opportunities, and ensure a just transition.

Data Protection

Any personal data provided in the application will be processed by Scottish Enterprise in accordance with Data Protection Laws and held in accordance with Scottish Enterprise's privacy notice, which can be found at <https://www.scottish-enterprise.com/help/privacy-notice>. Individuals can also use this link to find information on their rights in respect of the personal data we hold.

Special Drawing Rights

The UK-EU Trade Cooperation Agreement has agreed on funding allowances under the Special Drawing Rights (SDRs) for these awards. Special drawing rights (SDR) are supplementary international reserve assets defined and maintained by the International Monetary Fund (IMF). These awards are for subsidies of up to 325,000 SDR (approximately £335,000) given to a single beneficiary over a rolling 3 fiscal year period. This includes any cumulation of allowance given under European Commission De minimis regulations during the 3-year period.