



Biobased Industries Joint Undertaking Frequently Asked Question on Financing Rules

This document serves to provide additional information and general guidelines on the legal rules applying to participation and funding of the Biobased Industries PPP projects.

Note that the FAQ document is based on the rules and conditions foreseen in the BBI JU rules of participation, BBI derogation, the BBI Model Grant Agreement and the H2020 Annotated Model Grant Agreement, which are accessible through the Research Participant Portal. The Guide does not in itself have legal value, and thus does not supersede those documents.

General information

1. Where can I find the legal documents for participation and financial rules applying to the Biobased Industries PPP?

The Biobased Industries PPP generally follows the same rules as in Horizon 2020, all legal documents are available on the participants portal

(<http://ec.europa.eu/research/participants/portal/desktop/en/home.html>)

Consortium

2. How many partners need to be involved in the consortium?

The consortium must be composed of at least three 'legal entities' established in at least three different Member States, Associated Countries. The entities must be independent of each other.

Calls are open for all types of participants (see the Guide for Applicants for eligibility of participants).

The size and scope can vary depending on the topic. The BBI JU promotes the involvement of SMEs in its activities. More detailed information is available in the topics description in the work plan.

Evaluation of proposals

3. Our concept would be of great interest to our market competitors. What are the measures to ensure confidentiality in the evaluation?

Expert evaluators and Commission/BBI-JU staff are bound by a confidentiality agreement and will incur serious sanctions in case of violations. Commission/BBI-JU services will verify that no conflicts of interest could occur before a proposal is allocated to experts. Furthermore applicants are entitled to name three experts and/or organizations that will not be allowed to consult and evaluate the submitted proposal.





Project duration and start

4. What is the typical project duration?

The project duration is defined by the consortium in the application and must be in line with the project objectives. Duration is specified in Article 3 of the Grant Agreement (GA).

For a Research and Innovation action the typical duration is up to 4 years.

For an Innovation Action, the typical project duration is 4-5 years, e. g. when a new facility is being set-up within the project.

5. Can the project start before the signature of the GA by the BBI-JU?

As a general rule, the project starts the “first day of the month following the date when the GA enters into force” (GA Article 3). The GA enters into force when the last party (e.g. the BBI-JU) signs it.

Exceptionally, the BBI-JU may agree that the action starts before it enters into force (i.e. before the grant agreement is signed by both parties), provided that the consortium requests it in its proposal and can show that there is a need to start the action earlier (e.g. an action that is dependent on environmental conditions (e.g. crop planting season).

The pre-financing would be paid only after entry into force of the GA.

- ⚠ If a fixed date is requested, the start date of the project can never be before the date of proposal submission (EC financial regulation – Article 130).
- ⚠ If a fixed date prior to the GA signature is requested, any cost incurred before signature of the GA is incurred at the own risk of the partner.
- ⚠ Costs incurred before the official start date of the project are NOT eligible.

6. Can the project be extended?

The project proposal has to take into account possible causes of delays in the project and plan sufficient time to carry out the action.

Would unforeseen circumstances, in particular force majeure, arise during the project, the consortium has two options:

- Suspension of the action implementation (see MGA Article 49.1): The beneficiaries may suspend implementation of the action or any part of it, if exceptional circumstances — in particular force majeure (see Article 51) — make implementation impossible or excessively difficult. Usually the whole project is suspended to ensure that activities of the different partners remain in the same timeline.
- If some activities of the project are delayed, the consortium can request an extension of the project duration and any related modification (following article 55). This has to be duly justified.

Those are very exceptional situations, requesting heavy administrative procedure.



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Pre-financing:

7. When is the pre-financing paid to the consortium and how much can it be?

A pre-financing payment is made by the Joint Undertaking to the coordinator of the project within 30 days of the start date of the action (see MGA article 21).

- ⚠ The pre-financing remains the property of the JU until the payment of the balance (at the end of the project).

The amount of the pre-financing is determined by the Joint Undertaking at proposal level.

- ⚠ 5% of the maximum grant amount is retained by the JU and transferred in the 'Guarantee Fund'.
- ⚠ The total amount of pre-financing and interim payments must not exceed 90% of the maximum grant amount set out in article 5.1 of the GA.

Information on proposal preparation and project design:

8. How should I know which topic my proposal fits best in?

By reading the topic descriptions on the participant portal and by determining where the centre of gravity of your proposal lies, for you to be able to match it with a topic. The National Contact Point could also provide guidance.

9. Are there guidelines describing the readiness of the technology, in order to help me to situate my proposal?

The Technology Readiness Level (TRL) table in the Annex of the Work Programme gives you guidance. For research and Innovation actions applicants should present projects that have reached TRL up to 5. For innovation actions, Demonstration projects are expected to cover TRL 6-7 whereas flagships should reach up to TRL 8. The table below has been developed to help you understanding the meaning TRLs



Technology Readiness Levels		PPP funding category	Examples of types and level of relevant project risk	Scale*	Duration of asset	Sales
9	Actual system proven (successful operation, production of final product/service)	Commercial - no funding	Traditional commercial and thus 'bankable risk' •Feedstock supply risk •Plant utilization •Product off-take risk	Commercial scale (After flagship project or 'replication' of existing plant)	Plant will run for over 20 years	Product sold to customers (profit anticipated)
8	Whole process demonstration completed at scale and product qualified through test	Innovation action - Flagship	Non-bankable risk e.g. related to: •Potential need for plant modification •(Feedstock supply risk) •(Product off-take risk)	*Comparable to commercial scale/ 1st-of-a-kind in Europe	Flagship plant will run over 20 years and maybe enlarged or improved after flagship project Utilisation rate is high	Product sold to customers with defined quality and performance characteristics (no profit anticipated during the Action)
7	Process demonstration in operational environment (integration) at demo scale	Innovation action - Demo	Non-bankable risk e.g. related to: •Risk that sub-processes fails to integrate •Risk that process fails at scale/in relevant environment	*Small production unit/ demo scale	Demo plant will run for 2-5 years/ reconverted after end of demonstration. Utilization rate is medium as plant may be stopped several times for improvements.	Product sent to potential customers for testing ('sales of test lots'). Product can be sold but sales do not usually cover more than fixed+ variable costs
6	Sub-system or process step demonstration in relevant environment		•Potential need for technologies modification			
5	Pilot - Process step validation in relevant environment (separate process steps)	R&D action	Non-bankable risk e.g. related to: •Risk that sub-processes fail at scale/in relevant environment	"On the ground" equipments	Pilot unit used for multiple projects or equipment reconverted after project	Product not sold/ can be used for tests by potential customers
4	Process validation in laboratory environment	R&D actions	Non-bankable risk e.g. related to: •Risk that sub-processes fail at laboratory scale •Potential need for sub-process/component modifications	"On the bench" equipments		

* Scale varies strongly with the sector, process or product, and thus scale of project must be compared with existing production of same product (with e.g. different feedstock) or comparable product or production system.

10. Do I need to have existing facilities at the time of the proposal preparation/submission?

The proposal template requires the following information on the 'readiness' to operate:

Applicants should demonstrate the readiness of the technology for the implementation of the action. In particular, for flagships applicants must demonstrate that by the time of the submission of their application they have proven the feasibility of the technology by operating relative demonstration plants at scale (justification shall be provided in the proposal).

The proposal should include a detailed description of:

- the (existing) facility/plant which will be used for the implementation of the project;
- and/or information on the level of investment (including where relevant the additional activities not funded by the BBI-JU) foreseen for the establishment of the large scale production facility- being it a new installation, a substantial modification of an existing facility, or reconversion of old or abandoned industrial facilities- where the proposed work will be carried out.



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For instance, the proposal could include commitment letters of the financial partners investing in the plant (Board of the company and other financiers, e.g. bank) providing that the BBI JU project is granted.

Funding rate and reimbursement rate:

11. Funding rate

The funding rate for Research and Innovation action is 100% of eligible costs.

As indicated in the EC delegated Regulation establishing a derogation from Regulation (EU) No 1290/2013 of the European Parliament and of the Council laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" with regard to the Bio-Based Industries Joint Undertaking, only the following participants are eligible for funding from the Bio-Based Industries Joint Undertaking for actions in the area of bio-based industries other than innovation actions:

- (a) small and medium-sized enterprises;
- (b) secondary and higher education establishments;
- (c) non-profit legal entities, including those carrying out research or technological development as one of their main objectives;
- (d) the Joint Research Centre;
- (e) international European interest organisations.

The funding rate for innovation action is 70% of eligible costs, and 100% for non-profit organization and linked third parties.. Hence 30% of the eligible costs are contributed in kind by the industry beneficiaries.

12. Reimbursement rate

Participants may ask for a reimbursement rate lower than the applicable funding rate (100% or 70%).

Eligible costs

13. Which costs are eligible, and under which conditions?

Conditions for eligible costs are set-out in Article 6 of the MGA and annotated model grant agreement.

As basic rules, to be eligible costs must be

- Actual and incurred by the beneficiary
- Incurred during the project duration (except for costs of the final report)
- Indicated in the estimated budget in Annex 2 (budget of the action)
- Incurred in connection with the action as described in Annex 1 (proposal description)

- Reasonable and justified, and compliant with the principle of financial management
- Identifiable and verifiable, in particular recorded in the beneficiary's account (according to accounting standards of the beneficiary's country and to usual cost accounting practices).

They are considered under 5 cost categories:

A – direct personnel costs

B – direct costs of subcontracting

C – costs of providing financial support to third parties

D – Other direct costs

D.1 Travel costs and related subsistence allowances

D.2 Depreciation costs of equipment, infrastructure and assets or costs of renting and leasing equipment, infrastructure and assets

D.3 Costs of other goods and services

D.4 Capitalized and operating costs of large research infrastructure

E – Indirect costs

Ineligible costs are detailed under Article 6.5 of the MGA.

Please refer to AMGA for detailed guidance. Some guidance on aspects of specific relevance for Innovation Actions are provided hereafter.

14. Guidance for direct costs of subcontracting

As a general rule, work can be subcontracted in line with the “best-value-for-money”-principle, and provided that conflicts of interest are avoided.

13.1 Information can be found in:

- MGA article 6.2.B and AMGA.
- compliance with article 10 Purchase of goods, works and services
- article 13.1 Rules for subcontracting action tasks.
- Article 13.2 Additional eligibility conditions (AMGA): best price-quality ration & no conflict of interest (Article 35)
- AMGA Article 8 provides additional information to differentiate between Contracts to purchase goods, works and services/ Subcontracts / implementation by linked third-parties/ In-kind contribution against payment.

⚠ Subcontracting may cover a limited part of the action' (MGA article 13.1, AMGA)

'Limited part' is to be understood not in term of budget amount but as 'non-core activities of the action'. Core activities are to be carried out by the beneficiary.

13.2 What about engineering costs linked to a demo or a flagship plant: can related activities be subcontracted?



If the purpose of the action is to carry-out the demonstration of a process and test different fermentation conditions (the innovation lays in the micro-organism and conditions), the engineering of the demo plant could be considered as ‘non-core’ activities and carried out under a subcontract.

If the purpose of the action is to design a specific process (e.g. a purification) and improve it at scale, then the plant engineering would be a core activity and should be carried out by a beneficiary.

In industry practice, the plant engineering and equipment purchase is often done through a subcontractor. Those are usually included in CAPEX (capital expenditure) and depreciated. In this case: engineering costs would be charged to the BBI project under D.2 Other costs- depreciation costs of equipment, infrastructure and assets (the portion of the capex depreciation during project duration).

13.3 What if only one subcontractor is able to provide the tasks requested?

MGA Article 13.1 indicates that subcontractors must be identified according to best value for money rule and absence of conflict of interests.

To do so, beneficiaries must follow their internal rules for awarding contracts and be able to demonstrate that the choice of subcontractor follows the GA rules. There are specific national law and requirements on public procurement for public bodies and contracting authorities.

If an adequate procedure has been followed to select subcontractors, it might be acceptable that only one company is able to respond to the quality requirements. In such case, the contractor should make sure that costs charged by the subcontractor are “reasonable, justified and comply with the principle of sound financial management”. (see eligible costs – Article 6.1)

15. Guidance for Other Direct Costs

14.1 Cost of equipment, infrastructure and other assets (D2)

According to the purpose of the Action, and the type of Action, the beneficiary will define which equipment, infrastructure and other assets are necessary to implement the BBI action (see question 7).

As a general rule the following can be considered under the BBI-JU action:

- Equipment and part of the process that are necessary for the implementation of the project, and specifically used for the purpose of the project
- Other costs linked to eligible equipment, infrastructure: e.g. Engineering and building costs for the process included in the BBI project and considered as capital expenditure under the beneficiary normal accounting rules.



Equipment not used exclusively for the action — If the beneficiary does not use the equipment, assets, etc. exclusively for the action, only the part of the equipment’s or asset’s ‘working time’ for the action may be charged (i.e. the percentage of actual use and time used for the action). The amount of use (percentage and time used) must be auditable.

Activities and the related capital expenditure outside of the action’s work plan can be presented as additional activities. They are NOT part of the project budget, but can be mentioned in the part B of the proposal under sections 3.1 and 3.4

Below is an example of costs of an industry project capex (capital expenditure). In the case where a part of this capex costs is charged to the BBI project:

- Either costs directly incurred within the BBI project are clearly identifiable (e.g. separate invoicing, distinct part of the plant...)
- Or an appropriate accounting rule must be defined to attribute capex costs between BBI project and Additional Activities. Such accounting rule must follow eligible cost criteria of Horizon 2020 (in particular remove any non-eligible costs and indirect costs), usual accounting rule of the company and applicable laws.

<u>Example of an industrial plant estimated capital expenditure</u>		<u>Million €</u>
<u>Engineering</u>	<u>Conceptual</u>	<u>0.5</u>
	<u>Basic</u>	<u>0.6</u>
	<u>Detailed</u>	<u>1.6</u>
<u>Permits</u>		<u>0.1</u>
<u>Equipment</u>		<u>6.5</u>
<u>Instrumentation & DCS</u>		<u>4.6</u>
<u>Piping & insulation</u>		<u>6.25</u>
<u>Electrical</u>		<u>1.0</u>
<u>Civil, scaffolding & steel structure</u>		<u>5.15</u>
<u>Safety measures</u>		<u>0.1</u>
<u>Labor</u>		<u>0.6</u>
<u>Contingency</u>		<u>0.5</u>
<u>Total</u>		<u>27.5</u>





As a general rule eligible costs under D2 (Depreciation costs of equipment, infrastructure and assets or costs of renting and leasing equipment, infrastructure and assets specifically used for the BBI project, and during the BBI project) are charged according to the the depreciation rule

It is expected that the beneficiaries allocate the depreciable amount (purchase price) of an asset on a systematic basis over its useful life.

Depreciation costs for equipment used for the action, but bought before the action start are eligible if they fulfil the general eligibility conditions of Article 6.1(a). These remaining depreciation costs (when the equipment has not been fully depreciated before the action's start) may be eligible only for the portion corresponding to the action duration and to the rate of actual use for the purposes of the action.

Applicable depreciation rules must follow normal accounting rules of the beneficiary and must be in compliance with national tax law.

Usual depreciation rules apply such as:

- Economic depreciation : Linear; typical depreciation is e.g. 4-8 years for R&D and demo equipment, e.g. 10 years for industrial equipment, and e.g. 20 years for buildings and full-scale production installations
- Fiscal depreciation (in countries where it is applicable and when approved by tax authorities): which allows a faster depreciation for investment of a short lifespan (e.g. demo).

Depreciation starts when the plant is 'in operation' (definition of 'in operation' is company specific, and is defined in the companies usual accounting rules and validated by national tax authorities).

14.2 Costs for purchase of goods and service (D3)?

Please refer to **Article 6.2 Specific conditions for costs to be eligible / D.3 Costs of other goods and services of the MGA.**

- a. **D.3 Costs of other goods and services** (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) are eligible, if they are: **(a) purchased specifically for the action and in accordance with Article 10** or (b) contributed in kind against payment and in accordance with Article 11.
- b. Such goods and services include, for instance, **consumables and supplies**, protection of results, certificates on the financial statements, certificates on the methodology, translations and publications.
- c. Refer to the AMGA for difference between subcontracting and purchase of works and services.
- d. **What not?** If considering all or some of these costs as indirect costs is part of the beneficiary's usual accounting practices, the costs cannot be charged to the action as direct costs, as they are covered by the 25 % flat rate.

- e. Specific cases (see AMGA for reference):
 - i. Supplies and consumables already in stock
 - ii. Internally invoiced costs (excluding any indirect costs, margin or mark-up)

Operations in a demo or flagship plants may include a large amount of raw material, water and energy. These are usually considered as variable/ consumable cost by industry accounting practices. How are those considered under H2020?

Raw materials, energy and consumables are eligible for the actions direct costs if they:

- f. Respect the eligibility conditions under the GA (actual, during project, recorded,...)
- g. Are not considered indirect costs under normal accounting practices
- h. Are purchased specifically for the action/ in stock specifically used for the action/ internally invoiced.

⚠ Costs must be identifiable and related to the action. This means that fair apportionment of e.g. energy cost is not eligible as direct cost, only measured consumption is. If beneficiaries find it relevant to include goods as direct costs, it can be recommended, in particular for new facilities, to build-in adequate measurement systems in the plant to identify the consumption for the Action.

Goods type	Purchased/produced	Identifiable and specific for the project	Cost category
Energy/ electricity/ Consumables/ Raw material	Purchased	YES - Consumption for the project can be directly measured	Direct costs D.3 (specific invoice)
Energy/ electricity	Purchased	NO - Fair apportionment (estimation of consumption)	Indirect costs (included in the 25% flat rate)
Energy/ electricity/ Consumables/ Raw material	Produced/stored internally	YES – consumption measured	Direct costs D.3. At production costs (no margin, mark-up, and excluding indirect costs)
Energy/ electricity	Produced/stored internally	No – fair apportionment	Indirect costs (included in the 25% flat rate)

14.3 Capitalized and operating costs of large research infrastructure (D4)





In line with the Horizon 2020 rules, the BBI JU foresees the possibility for large research infrastructure to charge as direct cost their capitalized, operating and maintenance costs.

This may be of particular interest for open-demonstration plants, if they comply to the criteria set out in MGA article 6.2 D.4.

Detailed guidance is provided in the AMGA Article 6.2 (pages 65-79).

Additional activities

16. Additional activities are encouraged for Demonstration Actions and compulsory for Flagships. How is this defined and justified at proposal level and considered in the Actions budget?

An industrial project may be broader in scope to the project submitted for funding to the BBI JU. Indeed the goal of the BBI JU is to foster innovation and de-risk deployment of demonstrators and flagship for which the technological risk remains high even if they operate at large scale.

So the purpose of the project must focus on innovation activities beyond the state of the art, and this should be justified in the proposal.

Typically a flagship project would require the establishment of a large scale plant (new or reconversion of existing facilities).

According to the purpose of the action and its specificities

- a part of this plant will be used for the very purpose of the BBI JU Innovation Action,
- other parts of the plant are either mature technologies or not directly used for the purpose of the project, while contributing to the industries and the broader PPP objectives (see the Strategic Innovation and Research Agenda). These could be considered as additional activities

In the proposal, Additional Activities linked to a BBI JU project may be explained in sections 3.1 and 3.4 of part B, as it provides further information to the industrial context into which the BBI project takes place and how results of the project are further exploited by industry.

However, Additional Activities are not considered as costs of the BBI project, and thus are not included in the BBI project budget table or reported costs. They are reported through a dedicated survey carried out by the Biobased Industries Consortium (BIC) on a yearly basis.

Note: Next to Additional Activities linked with a BBI project, industrial investment of BIC members which are contributing to the PPP objectives beyond the BBI JU funded actions will also be reported



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through the BIC survey (e.g. other investments carried out by industry and broadly contributing to the PPP objectives, such as the construction of a plant without BBI funding after a BBI demo project

Sales and receipts

17. How to consider prototype and product sales in a BBI JU project?

Demo plants and some operations of flagship will have as purpose the production of prototypes, also called test lots, that are sold to customer to enable their further testing of the prototype for their application.

Prototypes to be considered as such should comply with the following rules:

- Sale price < production cost => no margin
- Invoiced as test lost/prototype
- No regular sales (for a given specification of the product)

If the above referred conditions are met, sale of prototypes should be considered as "exploiting the results of the action" and therefore not as receipts.

18. How to account for project receipts when calculating the Final Grant?

In particular for flagship projects, sales of a product may result from operations carried out by the beneficiary as part of the action, but also from operations occurring outside the action (e.g. additional activities and marketing and sales operations), whose corresponding costs are not reimbursed by EC.

The receipts considered for a BBI project is therefore the sales price of the product to the customer minus the costs incurred by the beneficiary leading to this sale and that are outside the BBI project (provided that such costs are not reimbursed by other EU funding programmes)

Receipt of the project = sales – relevant costs not included in the BBI JU project budget (eligible costs)



Calculating the Final Grant of the project (example)

in Million €

Costs	BBI JU project eligible costs	Additional costs not included in the BBI JU project but necessary for generating sales
Personnel	1,80	1,80
Depreciation of equipment and infrastructure	2,40	4,50
Raw material	5,00	0,00
Energy		3,00
Other personnel costs		3,60
Sales logistic costs		2,00
Marketing and sales		4,55
General and administration		4,55
Indirect costs (25%*eligible BBI costs)	2,30	-
TOTAL (direct)	11,50	24,00
BBI JU GRANT (70%)	8,05	
Contributed by industry in-kind	3,45	

	Sales - Case 1	Sales - Case 2
Sales	25,00	30,00
BBI receipts = sales - additional costs	1,00	6,00
Profit = receipt- in kind	-2,45	2,55
	NO PROFIT	PROFIT => grant reduction
FINAL GRANT (= grant - profit if any)	8,05	5,50



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**19. Question: Is financial contribution between partners of the same action allowed?
If yes, how should it be presented in the proposal?**

Cash contribution between partners of the same project is allowed. According to the Horizon 2020 rules for participation, it is a voluntary donation with no impact on the estimated eligible budget of the project nor on reporting. As such, it should not be included as estimated eligible costs by the contributing partner nor reported as receipt by the receiving partner.

For clarification on how it could be presented in the project, please refer to the example below:

Industry A and University B are both partners of the same Research and Innovation action. Industry A is not entitled to reimbursement of costs incurred in implementing Research and Innovation Actions pursuant to the Commission delegated regulation (EU) No 623/2014 of 14 February 2014 establishing a derogation from Regulation (EU) No 1290/2013 of the European Parliament and of the Council laying down the rules for participation and dissemination in 'Horizon 2020 — the Framework Programme for Research and Innovation (2014-2020)' with regard to the Bio-Based Industries Joint Undertaking (see http://ec.europa.eu/research/participants/data/ref/h2020/other/legal/jtis/h2020-bbi-derog-rules-participation_en.pdf).

A is coordinator of the project and makes a voluntary financial contribution of 600.000 € to University B in view of carrying out research within the R&I action financed under the BBI JU 2014 work plan. The research-targeted donation of 600.000€ is NOT to be included in the budget table but could be described in the description of the project, under section 3.4 "Resources to be committed" within the Implementation

The total eligible costs of the research conducted by B is 1 mln Euro. For the sake of the Horizon 2020 rules for participation the cash contribution between A and B is considered as a voluntary donation and as such with no impact on the estimated budget of the project.

However, instead of requesting funding against the allowable 100% rate, university B chooses to request only 400.000 € in funding from the BBI JU. This is not an obligation for partner B, as it could request the full eligible costs. Although not mandatory, the contribution that applicants make in the context of a project submitted for funding to the BBI Joint Undertaking is one of the elements that will be assessed in the course of the project evaluation.



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Pursuant to the definition of in-kind contributions in the rules of participation, all costs that are eligible according to Horizon 2020 rules and that are not reimbursed, qualify as an in-kind contribution. This means that in the example B incurs higher costs than covered by funding. B is considered to contribute 600.000€ as an in-kind contribution. However, these non-reimbursed costs will be counted as in-kind contribution to the operational assets of the JU only if (1) the entity requesting lower funding than the maximum reimbursement rate is a member of the BIC (Article 12(3)(c) of the Statutes) (2) the in-kind contribution is certified and (3) are reported pursuant to Article 4.3 BBI Regulation

