

# Wood Energy Business Scheme (WEBS 2)

State Aid Reference no:

## 1. Member State

United Kingdom

## 2. Region

Wales

## 3. Title of aid Scheme

Wood Energy Business Scheme (WEBS 2)

## 4. UK Legal Basis

The relevant legal powers under which support will be provided to enterprises under this Scheme are contained in:

- An arrangement under Section 41 of the Government of Wales Act 1998, between the National Assembly for Wales and the Forestry Commissioners as continued by Section 83 of the Government of Wales Act 2006;
- The Forestry Act 1967 (as amended), Section 3.2 and more specifically, the 1979 Forestry Act, Sections 1.1 and 1.2.

The legislation which gives effect to EC Law in Wales is:

- The European Communities Act (1972) (section 2 (1)); and
- The Government of Wales Act (section 80).

## 5. EC Legal basis

All aid provided under this Scheme will be within the limits set out in Articles, 13, 15, 23, 26, 31 and 39 of Commission Regulation (EC) 800/2008 (General Block Exemption Regulation)<sup>1</sup>

Summary information relating to the Scheme has been registered with the Commission under reference xx/xxxx.

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

## **6. Definitions**

In this Scheme, the following expressions have the meanings assigned below:

“**SME**” means an enterprise that falls within the criteria and parameters of the definition of micro, small and medium-sized enterprises contained in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC), which took effect on 1 January 2005

“**Large enterprise**” means any enterprise that is not an SME

“**Assisted Area**” means any of the regions in Wales designated as an 87 (3) (a) or 87 (3) (c) area as identified in the Regional Aid Map 2007-2013 (please refer to Annex 1 for further information).

“**The Regional Aid Map**” means the map approved by the Commission for the UK and published in accordance with paragraph 101 of the Guidelines on National Regional Aid for 2007-2013 (2006/C 54/08).

Further definitions are provided in the relevant schedules relating to:

- Capital grants
- Consultancy support for companies
- Training support
- Research and development support

## **7. Objective of the scheme**

The aim of this scheme is to encourage the further development of a sustainable industry using wood fuel to generate clean heat and electricity in Wales. WEBS 2 will build upon the achievements of WEBS Objective 1 and 2 (2004/08). The scheme will provide capital grant support to micro-businesses, SMEs and social enterprises to install wood energy generating plant and value added fuel processing equipment. The scheme will also provide consultancy support services, training and research and development assistance in order to provide a comprehensive package of support for the sector.

## **8. Government body authorised to implement the scheme**

Forestry Commission for Wales

## **9. Scope of the Scheme**

The scheme will be open to all enterprises in Wales who are interested in environmental protection actions and those interested in using woodfuel for diversification and enterprise development, excluding those active in the following sectors:

- Fisheries and aquaculture covered by Council Regulation (EC) No 104/2000;
- The primary production of agricultural products (listed in Annex 1 of the Treaty); or
- The processing and marketing of agricultural products when:
  - (1) the amount of aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the enterprise concerned or
  - (2) the aid is conditional on being partly or entirely passed on to primary producers.
- Coal – enterprises which carry out an activity in connection with coal production;
- Steel – enterprises involved in the steel sector;
- Shipbuilding – enterprises involved in the shipbuilding sector;
- Synthetic fibres – enterprises involved in the synthetic fibres sector

Aid may not be given where the proposed recipient of the aid is:

- subject to an outstanding order for the recovery of aid which has been declared by the Commission to be illegal and incompatible with the common market; or
- “a firm in difficulty” within the meaning of Chapter 2 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p.2).

Aid will not be allowed for the following activities:

- aid to export related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity; or
- aid contingent upon the use of domestic over imported goods.

## **10. Duration of the Scheme**

Aid under this scheme may be granted until December 31<sup>st</sup> 2013.

## **11. Budget for aid under the Scheme**

Although there is no defined budget for aid under the scheme, it has been estimated that the total expenditure from 1st April 2009 – 31st December 2013 will be in the region of £20 m. This will comprise of £7.8 m of ERDF,

£0.8m of domestic public funds, with the balance coming from domestic private resources..

## **12. Form of Aid**

All aid awarded under the Scheme will be transparent and in line with criteria set out in Articles 12 and 13 or 15 of the General Block Exemption Regulation. Aid may be awarded by way of:

- Grants (capital, revenue and repayable capital);
- interest rate subsidies;
- loans; and
- repayable advances.

## **13. Eligible activities to be supported under the scheme**

Eligible activities under the scheme are listed in Schedules 1 to 4 as follows:

- Provision of grants for capital investment in renewable energy and related equipment (schedule 1);
- Consultancy support for companies (schedule 2);
- Training support (schedule 3);
- Research and development activity (schedule 4)

For each category of support under the scheme, the schedules set out the objectives of the aid, the eligible costs, the relevant aid intensities and the maximum amount of support that can be awarded under the scheme.

## **14. Incentive effect**

Aid recipients must demonstrate that the aid is required for projects to proceed. Funding will not be awarded where the activity has already started before an application for support is made.

In addition aid will not be awarded to large enterprises unless the enterprise can establish that, if the aid is awarded, one or more of the following criteria will be met:

- a material increase in the size of the project/activity;
- a material increase in the scope of the project/activity;
- a material increase in the total amount spent by the enterprise on the project/activity;
- a material increase in the speed of completion of the project/activity
- concerned;
- assisted areas – without the investment the project would not have
- been carried out in the assisted region.

## **15. Cumulation**

In determining whether the individual notification thresholds and the maximum aid intensities are respected, the total amount of public support for the activity or project shall be taken into account, regardless of whether that support is financed from local, regional, national or Community sources.

Aid provided under this Scheme will not be cumulated with other forms of aid nor with aid classed as de minimis aid in regard to the same eligible costs if the result would breach the aid intensities set out above.

## **16. Monitoring and Reporting requirements**

All recipients of aid under the Scheme will be informed that aid has been provided under the Scheme, registered under xx/xxxx pursuant to Articles 13, 15, 23, 26, 31 and 39 of Commission Regulation (EC) No 800/2008 (General Block Exemption Regulation).

Records will be kept for 10 years from the date the last award of aid under the Scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met, to include confirmation of enterprise status (SME/large) and eligibility of supported costs.

An annual report on the expenditure under this Scheme will be provided to the Commission.

Contact information:

Wood Energy Business Scheme  
Forestry Commission Wales  
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SY23 2DQ

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## **Schedule 1: Capital Grants**

### **Objective of the aid**

The objective of the capital grants measure is to support the setting up and /or diversification of SMEs in Wales and to encourage SMEs to undertake environmental protection actions, designed to increase the uptake of renewable energy sources, in the form of wood fuel.

Experience from WEBS 1 demonstrated that a wide range of SMEs may be interested in diversification or environmental protection using woodfuel. Examples of the types of business which participated previously include wood processing companies such as joineries and sawmills, waste management companies, food processing companies, accommodation providers, visitor attractions and Energy Services Companies (ESCOs).

Capital grants will be provided either as Capital investment grants or as Environmental aid grants in line with the criteria identified below.

In the context of the Wood Energy Business Scheme 2 capital grants will be awarded for investments relating to:

- Woodfuel heating systems
- Small-scale woodfuel CHP
- Woodfuel processing and storage

### **Capital Investment grants (in line with Article 13 and 15 of GBER)**

Investment aid can be awarded for investments in tangible or intangible assets relating to the setting up of a new establishment, the extension of an existing establishment, diversification of the output of an establishment into new additional products or a fundamental change in the overall provided the following criteria are met.

### **Eligible costs**

The costs of the project must be transparent and directly and exclusively related to the project. Aid will only be awarded on the eligible costs relating to the proposed investment.

Eligible costs for capital investment grants are as follows

- Tangible assets - assets relating to land, buildings and plant, machinery and equipment.

- Intangible assets - assets entailed by the transfer of technology through the acquisition of patent rights, licences, know-how or unpatented technical knowledge.

**Aid intensities applicable (maximum % of eligible costs that can be awarded)**

| <b>Investment aid</b> | <b>Small company</b> | <b>Medium company</b> | <b>Large company</b> |
|-----------------------|----------------------|-----------------------|----------------------|
| 87(3)(a) areas        | 50%                  | 40%                   | 30%                  |
| 87(3)(c)areas Powys   | 35%                  | 25%                   | 15%                  |
| Other 87(3)(c)areas   | 30%                  | 20%                   | 10%                  |
| Non-assisted areas    | 20%                  | 10%                   | N/A                  |

All grants awarded will be within the notification thresholds allowable under GBER.

**Special conditions**

**In order for the costs of the investment to be considered eligible, the following specific conditions will apply:**

For funding to companies in Assisted areas:

- the investment is maintained in the assisted area for 5 years (3 years for SMEs) after the whole investment has been completed;
- the beneficiary must provide at least 25% of the eligible costs from sources free from public support;
- assets acquired must be new (apart from SMEs);
- assets under lease (apart from land and buildings) will only be taken into consideration if the lease takes the form of financial leasing and there is an obligation to buy the asset at the end of the lease.

For funding to companies in all areas:

- the assets are used exclusively in the enterprise receiving the aid;
- the assets are amortizable;
- the assets are purchased from third parties under market conditions;
- assets must be included in the assets of the enterprise for at least 5 years (3 years for SMEs).

**Environmental Aid Grants (in line with Article 23 of GBER)**

Environmental investment aid can be awarded for the promotion of energy from renewable energy sources provided the following criteria are met:

## Eligible costs

The eligible investment shall take the form of investment in tangible or intangible assets.

Eligible costs shall be the extra investment costs borne by the beneficiary compared with a conventional power plant or with a conventional heating system with the same capacity in terms of effective production of energy without taking account of operating benefits and costs.

In the context of the Wood Energy Business Scheme 2, this relates to the difference between a Woodfuel heating systems or Small-scale woodfuel CHP and its fossil-fuel equivalent.

## Calculating the cost of the investment

- Where the costs of investing in environmental protection can be easily identified in the total investment costs, the precise costs are eligible;
- In other cases, extra investment costs shall be established by comparing the investment with the situation if State aid had not been granted (counterfactual). Eligible costs will be the cost of a technically comparable investment that provides a lower degree of environmental protection and that would be credibly realistic without aid;
- Operating benefits and costs do not need to be taken into account in the calculation.

## Aid intensities applicable (maximum % of eligible costs that can be awarded)

| <b>Environmental Protection aid – investment aid for the promotion of energy from renewable energy sources</b> | <b>Small co</b> | <b>Medium co</b> | <b>Large co</b> |
|--|-----------------|------------------|-----------------|
|  |                 |                  |                 |
|  | 65%             | 55%              | 45%             |

All grants awarded will be within the notification thresholds allowable under GBER.



**Schedule 2: Consultancy support for SMEs**  
**(in line with Article 26)**

**Objective of the aid**

The objective of aid for consultancy in this case is to provide SMEs with specialist expert advice in order to undertake feasibility studies and provide other specialist technical or financial advice to support renewable energy projects.

Examples of types of SME which are likely to need this support include companies considering installing wood heating for environmental protection – who may need technical support, and companies considering diversification who may need specialist financial, legal and technical support.

**Eligible costs**

- **One-off** external consultancy services. Services must not be routine or relate to an SME's normal operating expenditure

**Aid intensities applicable (maximum % of eligible costs that can be awarded)**

**All areas of Wales – SMEs only**

**Up to 50% of eligible costs**

The maximum support that can be provided to any one project for one off consultancy support under this scheme is **€2 million**. Any grant awarded to an individual project exceeding this levels will be notified directly to the Commission.

Where support is provided at more than 50%, it will awarded in line with the European Commission Regulation 1998/2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid.

### **Schedule 3: Training support**

(In line with Article 39 of GBER)

#### Objective of the aid

The objective of training support in this case is to provide companies in Wales with support to train staff in areas of expertise relating to the installation of woodfuel heating systems or the development of woodfuel supply chains. This support is aimed at the equipment and fuel supply chain companies. This may include existing and new companies.

Training aid can be awarded towards the costs of both general and specific training incurred by companies.

#### Eligible costs

Eligible costs include the following:

- trainers' personnel costs;
- trainers' and trainees' travel expenses, including accommodation;
- other current expenses such as materials and supplies;
- depreciation of tools and equipment to the extent that it is used exclusively for the training project in question;
- costs of guidance and counselling services with regard to the training project; and
- trainees' personnel costs and general indirect costs (rents, overheads etc.) for the hours they participate in the training, up to the total of the other eligible costs.

#### Aid intensities applicable (maximum % of eligible costs that can be awarded)

|                           | <b>General Training</b> | <b>Specific training</b> |
|---------------------------|-------------------------|--------------------------|
| <b>Large enterprises</b>  | <b>60%</b>              | <b>25%</b>               |
| <b>Medium enterprises</b> | <b>70%</b>              | <b>35%</b>               |
| <b>Small enterprises</b>  | <b>80%</b>              | <b>45%</b>               |

The maximum support that can be provided to any one project for training support under this scheme is **€2 million**. Any grant awarded to an individual project exceeding this level will be notified directly to the Commission.

## Definitions

**General training** - training involving tuition which is not applicable only or principally to employee's present or future position in the enterprise, but provides qualifications that are largely transferable to other enterprises or fields of work.

**Specific training** - training involving tuition directly and principally applicable to the employee's present or future position in the enterprise and providing qualifications which are not or only to a limited extent transferable to other enterprises or fields of work.

## **Schedule 4: Research and Development support**

(in line with article 31 of GBER)

### Objective of the aid

The objective of research and development support in this case is to provide SMEs in Wales with support to develop new products and services to support the woodfuel industry. This might include innovations in heating or CHP technologies or in equipment to support woodfuel production and the fuel supply chain.

The projects that can be funded under this measure fall under the R&D stage of experimental research.

### Eligible costs

Eligible costs include the following:

- Personnel
- Instruments and equipment used for the research project for the duration of the project;
- Buildings and land used for the research project for the duration of the project; Contractual research;
- Technical knowledge and patents bought or licensed from outside sources at market prices;
- Consultancy;
- Overheads incurred as a direct result of the research activity;
- Materials; and
- Supplies

### Aid intensities applicable (maximum % of eligible costs that can be awarded)

| <b>Type of activity and allowed aid intensity level</b>  | <b>Small co.</b> | <b>Med co.</b> | <b>Large co.</b> |
|--|------------------|----------------|------------------|
| <b>Experimental development</b> (shaping existing knowledge to produce plans for new, altered, or improved products, process or services). | 45%              | 35%            | 25%              |

The maximum support that can be provided to any one project for research and development under this scheme is **€7.5 million**. Any grant awarded to an individual project exceeding this level will notified directly to the Commission.

### **Extra reporting requirements**

Additional information will be sent to the Commission in relation to any individual aid under this category if it is more than €3 million.

## Definitions

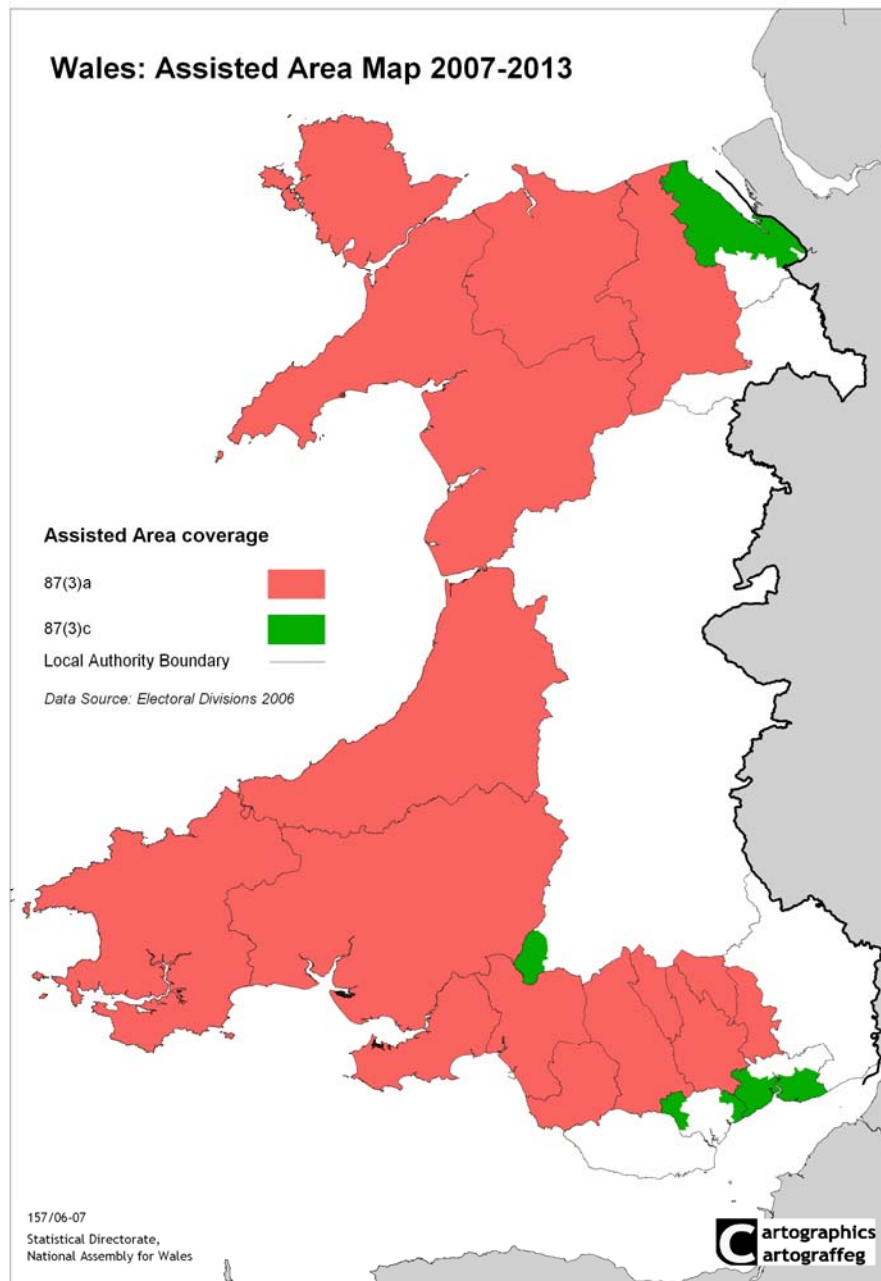
**Experimental development** means the acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services.

## ANNEX 1

### Assisted Areas 2007-2013

The UK Assisted Areas for the period 2007-2013 have been determined in line with the criteria identified within the Guidelines on National Regional Aid for 2007-2013. The UK map was notified to the Commission and subsequently approved under State aid decision N673/2006.

In Wales, West Wales and the Valleys continue to retain full Article 87(3)(a) status eligible for the higher levels of funding. Areas of Powys, Flintshire, Cardiff and Newport have been identified as Article 87(3)(c)



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areas.

### Assisted Area: Article 87(3)(c)Wards

| Area   | Wards   |  |  |
|--|---|--|--|
| Powys  | Aber-craf<br>Cwm-twrch<br>Ynyscedwyn<br>Ystradgynlais   |  |  |
| Flintshire and Wrexham   | <table border="1"> <tr> <td>Aston<br/>Bagillt East<br/>Bagillt West<br/>Broughton North East<br/>Broughton South<br/>Brynford<br/>Buckley Mountain<br/>Caerwys<br/>Cilcain<br/>Connah's Quay Central<br/>Connah's Quay Golftyn<br/>Connah's Quay South<br/>Connah's Quay Wepre<br/>Ewloe<br/>Ffynnongroyw<br/>Flint Castle<br/>Flint Cosehill<br/>Flint Oakenholt<br/>Flint Trelawny</td> <td>Greenfield<br/>Gronant<br/>Halkyn<br/>Hawarden<br/>Holywell Central<br/>Holywell East<br/>Holywell West<br/>Mancot<br/>Mostyn<br/>Northop<br/>Northop Hall<br/>Queensferry<br/>Sealand<br/>Shotton East<br/>Shotton Higher<br/>Shotton West<br/>Trelawnyd and Gwaenysgor<br/>Whitford</td> </tr> </table> | Aston<br>Bagillt East<br>Bagillt West<br>Broughton North East<br>Broughton South<br>Brynford<br>Buckley Mountain<br>Caerwys<br>Cilcain<br>Connah's Quay Central<br>Connah's Quay Golftyn<br>Connah's Quay South<br>Connah's Quay Wepre<br>Ewloe<br>Ffynnongroyw<br>Flint Castle<br>Flint Cosehill<br>Flint Oakenholt<br>Flint Trelawny | Greenfield<br>Gronant<br>Halkyn<br>Hawarden<br>Holywell Central<br>Holywell East<br>Holywell West<br>Mancot<br>Mostyn<br>Northop<br>Northop Hall<br>Queensferry<br>Sealand<br>Shotton East<br>Shotton Higher<br>Shotton West<br>Trelawnyd and Gwaenysgor<br>Whitford |
| Aston<br>Bagillt East<br>Bagillt West<br>Broughton North East<br>Broughton South<br>Brynford<br>Buckley Mountain<br>Caerwys<br>Cilcain<br>Connah's Quay Central<br>Connah's Quay Golftyn<br>Connah's Quay South<br>Connah's Quay Wepre<br>Ewloe<br>Ffynnongroyw<br>Flint Castle<br>Flint Cosehill<br>Flint Oakenholt<br>Flint Trelawny | Greenfield<br>Gronant<br>Halkyn<br>Hawarden<br>Holywell Central<br>Holywell East<br>Holywell West<br>Mancot<br>Mostyn<br>Northop<br>Northop Hall<br>Queensferry<br>Sealand<br>Shotton East<br>Shotton Higher<br>Shotton West<br>Trelawnyd and Gwaenysgor<br>Whitford  |  |  |
| Monmouthshire and Newport  | Gaer<br>Graig<br>Liswerry<br>Llanwern<br>Marshfield<br>Pillgwenlly<br>Tredegar Park   |  |  |
| Cardiff and the Vale of Glamorgan  | Pontprennau/Old St Mellons<br>Trowbridge<br>Creigiau / St Fagans<br>Pentyrch  |  |  |