

**ZERO WASTE SCOTLAND LIMITED
GBER NOTIFICATION – BACKGROUND**

1. Objective of the Aid

ZWS proposed to operate both capital and revenue grant schemes in line with 1.1 and 1.2 as shown below. Aid provided under the General Block Exemption shall not be accumulated with any de minimis State Aid for the same project. Grant funding for capital projects cannot be supplemented with grant revenue funding. Please refer to Appendix 1 for details and eligibility to the articles.

1.1 Grant Funding - Capital

Zero Waste Scotland wishes to register to distribute grant funding in line with Article 47 – Investment aid for waste recycling and re-utilisation, Article 38 – Investment aid for energy efficiency measures and Article 46 – Investment aid for energy efficient district heating and cooling and Article 22 – aid for start ups.

The general objective of the Zero Waste Scotland's capital intervention measures is to accelerate the conditions to support increased waste minimisation, resource efficiency, reuse, recycling and waste reprocessing initiatives, creating new markets and developing new technologies, in line with the waste hierarchy established in the European Union's Waste framework Directive, European Union's Energy Efficiency Directive and with reference to the European Commission's programme "Towards a Circular Economy: a zero waste programme for Europe" (2014). Zero Waste Scotland aid measures reference the Scottish Government's Zero Waste Plan (2010), Safeguarding Scotland's Resources: a blueprint for a circular economy (2013) and Towards a Litter Free Scotland (2014) all of which provide strategic direction in the area of resource efficiency to 2020. It is likely that additional strategic direction will emerge and this will help to inform the nature of aid measures in the future. Zero Waste Scotland's aid measures are therefore focused on assisting organisations to innovate in order to overcome market failures and to develop new markets in line with the hierarchical classification of the principles of waste management, energy efficiency and the responsible use of water (reducing consumption and effluent discharge caused by inefficient processes).

1.2 Grant Funding - Operating Aid

Zero Waste Scotland wishes to register for:

- Article 17: Investment aid for SMEs (also capital)
- Article 18: Aid for consultancy in favour of SMEs
- Article 19: Aid to SMEs for participating in fairs
- Article 20: Aid for cooperation costs incurred by SMEs participating in European Territorial Cooperation projects
- Article 25: Aid for research and development projects
- Article 28: Innovation aid for SMEs
- Article 31: Training Aid
- Article 22: Aid for start ups

2. Scope and Process

All aid issued by Zero Waste Scotland Ltd in respect of capital funding under the General Block Exemption will be distributed through an open and competitive process.

The scheme will provide funding to support investments by private and third sector companies and other organisations in order to increase the recycling, reprocessing and reuse of waste in Scotland shall include but not be limited to the following materials: treated/contaminated wood,

glass, plastics, metals, aggregates, quarry mineral wastes organics/compost, WEE, textiles batteries, tyres, plasterboard and gypsum.

Projects may include those that introduce fundamentally different business or trading models that support a move to a more circular economy by addressing material, energy or water issues at their most strategic level.

All projects will be selected on the basis that they are the most economically advantageous offer taking into account objective criteria, including magnitude and relevance of deliverables in relation to the environmental objectives including but not limited to measurement by tonnes of CO2 equivalent or other metrics specific to the nature of the call for projects and scope and eligibility. Also the amount of waste diverted from landfill, land spread, disposal to sea and other less environmentally friendly uses will be considered in the identification of which project(s) provides the most economically advantageous offer.

Zero Waste Scotland will undertake a preliminary review of the relevant market to identify current market failures and launch programmes in line with the Scottish Government's priority areas. As further safeguards to make certain that Zero Waste Scotland has an appropriate understanding of the relevant market, Zero Waste Scotland will ensure that where third party assessment forms part of the process that this will include appropriate expert external advisors (e.g. from relevant industry specific sectors) who can provide independent views in evaluating the applications received against the laid down scope and evaluation criteria that will be specific to each call for projects.

Zero Waste Scotland will use open and competitive calls for projects in order to identify the minimum level of aid funding necessary and to select the aid beneficiaries on an open, objective and non-discriminatory basis. Competitive calls for projects will be advertised in specialised press, via industry-specific networks (where appropriate) and on Zero Waste Scotland's website.

Aid granted will not directly nor indirectly relieve organisations of a burden they should bear under Union law or Scots Law nor of a burden considered a normal company cost. Therefore aid benefitting such activities should be covered by the block exemption including when it concerns waste of other undertakings and where the materials treated would be disposed of, or be treated in a less environmentally friendly manner. In the case of wider resource efficiency this aid will support actions that increase energy efficiency or water efficiency beyond legal requirements and in line with good practice.

Zero Waste Scotland will typically impose conditions as part of the grant process that the waste materials being used have to be "new" waste (i.e. waste materials that would otherwise be sent to landfill, land spread or disposal to sea or those that represent a health & safety or environmental threat) and not diverted from other projects wherever such conditions are appropriate. However, considering point 126 of the Environmental aid guidelines which refers to the condition that supported waste management is in accordance with the hierarchical classification of the principles of waste management, Zero Waste Scotland will also support projects which are aiming to develop processes which reflect the waste management principles set out in the waste hierarchy and thus, for example, to encourage more environmentally friendly and higher value end uses for the recycle than for example, incineration. Zero Waste Scotland will thus waive the conditions associated with the use of new waste as defined above, where it considers it appropriate (and as assessed through the relevant application processes).

Zero Waste Scotland confirms that the investments will not merely demonstrate the benefits of energy or water efficiency or increase demand for the materials to be recycled but will stimulate the market for technologies and advances in the manner of collection. Zero Waste Scotland notes that if where organisations increase their energy, water and waste efficiency this has a "pull-through" effect, which increases the desire of others to implement activities which support their resource efficiency.

In relation to waste this will incentivise the collection of materials, ensuring that the investments made in the recycling technologies are effective in maximising the amount and quality of waste diverted from landfill. As such, Zero Waste Scotland will not invest in collection if there is no "pull through" effect from its investment in the recycling technology. Furthermore, one of the assessment criteria used in determining whether a project may be eligible for grant assistance is the extent to which the beneficiaries are able to show that they have secured supply chains and will be able to obtain enough waste "feedstock" over the longer term to ensure that the recycling facility or project in question will be viable and will therefore generate a suitable level of environmental benefits. Zero Waste Scotland will not support energy or water efficiency where there is no demonstration impact either individually or collectively.

In case the project to be supported by Zero Waste Scotland has already received aid for the same eligible costs, then the amount of aid Zero Waste Scotland will grant will not exceed the maximum aid intensities provided for in the applicable State aid rules. It is a condition of the contract for funding that the intended aid recipient declares all other state aid funding it has received or will receive in relation to the same eligible costs. A breach of the accumulation rules will mean that the aid recipient is in breach of the contract and will be obliged to repay the state funding to Zero Waste Scotland.

The supported projects must not start prior to the submission of the application for the aid by the beneficiaries to Zero Waste Scotland and must demonstrate that the investments would not be profitable (if at all carried out) without the aid.

The aid shall not be used for any mandatory or regulatory costs of any project, for example, requirements to meet health & safety or environmental standards, or for planning or licensing consents.

Where the asset/s are to be used for other purposes, Zero Waste Scotland will only pay the percentage of utilisation specific to the funded project.

Supported projects need to go beyond the "state of the art" or normal boundaries. These projects may develop or use technologies, develop and implement new business models, implement changes that challenge traditional or typical behaviours of organisations. The application of new technologies includes the introduction of methods which exist in other markets (international or outside industrial sector demarcations).

3. Financial Information

For some projects and for all grants requested over £100,000 as identified at the discretion of Zero Waste Scotland, an independent evaluation will be completed by an external financial assessor.

3.1 Determination of Eligible Costs (definitions)

The eligible costs shall be the extra investment costs necessary to realise an investment leading to recycling or reuse activities compared to a conventional process of reuse and recycling activities with the same capacity that would be constructed in the absence of the aid.

The amount of grant funding Zero Waste Scotland is able to offer applicants is governed by rules regarding State Aid.

Mandatory Health & Safety requirements or environmental regulatory costs cannot be included within the project's eligible costs.

Zero Waste Scotland requires all capital cost items to be used exclusively to the benefit of the application project only. Close scrutiny will be undertaken on items that have the potential for

non-application project use, for example, mobile plant. Should an element of any equipment be used exclusively outside the application project then proportion that element comprises would not be funded.

When calculating the total eligible costs, care must be taken not to include ineligible costs when applying any percentage uplifts. For example you should not include any operating costs where the grant covers capital costs only; only the eligible capital costs of the project shall be used to calculate the aid intensity.

3.2 Capital cost breakdown

Applicants will be required to provide a fully itemised cost breakdown both with and without VAT of total project costs in pounds sterling. All costs will need to be justified and the VAT status of applicant organisations will be examined. This will include confirming the rates at which VAT may be recovered. Zero Waste Scotland will not fund recoverable VAT by funded project organisations. The breakdown should clearly identify the total eligible costs of the project and the arrangements for co-funding must be fully evidenced.

3.3 Viability of Investment

It is essential that evidence is provided to demonstrate that the viability of the total investment in the project is dependent on the grant awarded by Zero Waste Scotland. This will require financial performance information for the project:

- Showing returns on investment without the grant; and
- Showing returns on investment with the grant.

For large value projects a financial spreadsheet will need to be completed (to be provided by Zero Waste Scotland) showing returns on investment over a 3 or 5 year period (the duration will be programme specific). The information will include payback, net present value and internal rate of return with and without the funding together with a justification at the proposed hurdle rate or required rate of return.

3.4 Audited Accounts

The following or equivalent evidence of financial standing is required for capital and higher value projects.

- Audited accounts or equivalent for the previous three years' trading. If your business is a new start-up venture, you should state this and provide any accounts to date that you have;
- A statement of any material pending or threatened litigation or other legal proceedings;
- Similar information will be required in relation to the ultimate holding company of any applicant or member of a group of JV which is a subsidiary company.
- Please note that ZWS may at its discretion conduct an independent credit check to establish financial robustness.

3.5 Identification of Project Guarantor

For higher value capital projects Zero Waste Scotland will reserve the right to request a guarantor which would form part of the contractual obligations. This is in the event of a default on contract where Zero Waste Scotland needs to recover the grant funding, and the recipient is unable to pay, the guarantor mechanism would provide indemnity to cover the full value of the funding that has been paid by Zero Waste Scotland. A guarantor can take one of the following

forms: parent or holding company, bank bond for the full grant over each of the year as set out in the contract period or Zero Waste Scotland taking first charge of assets.

3.6 Lease of assets

For capital programmes leasing of assets will not be funded as this is deemed an operational cost – unless it is demonstrated that the lease is a form of financial leasing and must contain an obligation for the beneficiary of the aid to purchase the asset upon expiry of the term of the lease.

4. Duration, budget and beneficiaries

Start date: From when the GBER notification has been received.

End date: 31 December 2020

The total budget for the whole duration of the measure will be approximately GBP 50 million.

The measure is not sector specific and the number of beneficiaries is estimated at up to 10,000.

5. Standard Evaluation Criteria – Capital Programmes

The scope and evaluation criteria will be programme specific with the following evaluation criteria as standard for all capital programmes:

- **Overall value for money offered**
This is determined by:
 - the applicant's performance overall against criteria below;
 - the extent to which the project will increase the overall diversion of waste (type to be defined) materials from landfill and/or; the extent to which the waste is reprocessed into higher value, improved quality products (for example moving glass from aggregate to remelt and closed loop applications and/or; or the extent of the energy or water efficiency, against the value of the requested grant; and
 - demonstrating the use of current technologies or the development of new business models that is innovative and capable of being adopted by other businesses seeking to achieve similar standards of good practice.

- **Financial robustness of the proposal,**
This is determined by:
 - the overall financial sustainability of the project;
 - demonstration that the viability of the total investment in the project is dependent on the grant provided by Zero Waste Scotland;
 - the applicant's arrangements for financing the project; and
 - the financial standing of the applicant.

- **Quality of the design of the project**
This is determined by:
 - the proposals for project, justification for the size & scale of the operation and the quality of operational plans;
 - the appropriateness of the overall design and the technologies proposed;
 - the improved efficiency of the proposed activity (above common UK levels); and
 - the degree to which established technology or business model underpins the project's design.

- **Quality of arrangements for marketing**
This should include consideration of:
 - the security and credibility of the projected economic impact;
 - the product range and quality; and
 - the strength of the overall marketing plans.

- **Applicant's ability to deliver the project**
This is determined by:
 - the technical and operational track record of the applicant;
 - the authority levels of allocated personnel, their skills and associated technical capability; and
 - the robustness and confidence in meeting the proposed build timescales (including planning) and to be operational by stated dates; and
 - the strength of the operational plans for the project.

- **Corporate environmental commitment & overall environmental credentials**
This is determined by:
 - the extent to which the organisation demonstrably operates in accordance with best environmental practice and the quality of any mitigation plans;
 - this can include the achievement of recognised standards and participation in nationally and internationally recognised programmes including Scotland's Resource Sector Commitment, Scotland's Resource Efficiency Pledge, The Courtauld Commitment, ISO14001 or Eco-management and Audit Scheme (EMAS); and
 - the performance record of the organisation on projects of a similar nature (where available).

- **Corporate commitment to Health & Safety (H&S)**
This will include consideration of:
 - for new organisations (operating for less than 5 years) the extent of the H&S provision in the planning of the project and
 - for existing organisations, the applicant's H&S management systems and the applicant's H&S record over the last 5 years.

6. Environmental Impact – Capital Programmes

Environmental impact statements will be required providing a brief assessment of the overall environmental impact of the project together with mitigation plans and environmental improvements. All large scale and/or high value projects may at Zero Waste Scotland's discretion be subject to an on-site environmental assessment and health & safety audit.

7. Contracts with Zero Waste Scotland

Funding agreements will be put in place between Zero Waste Scotland Ltd and all grant recipients (capital and operating). Contracts which fund assets¹ shall have monitoring obligations for a minimum of three years and in some cases up to five years, depending on the value and nature of the grant awarded. Programme specific and individual recipient contractual obligations shall be clearly set out.

Sarah Burns
Grants & Compliance Manager

13 May 2016

¹ An asset is a tangible eligible capital item (i.e. equipment or infrastructure)

Appendix 1 : Funding strand proposals

Article	Title	Capital/operating	Scope and eligibility	Aid intensity
47	Investment aid for waste recycling and re-utilisation	Capital only- on a competitive assessment basis	Plant, equipment and infrastructure costs; open to all size of organisation; waste minimisation, resource value maximisation, reuse, reprocessing, recycling – see section 3.1 for full scope. Individual programme-specific scope shall apply.	35% with an increase by 20% for small undertakings and 10% for medium size undertakings. In addition the aid intensity may be increased by 15% for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the Treaty and by 5% for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the Treaty.
18	Aid for consultancy in favour of SMEs	Operating	Consultancy services provided by an external consultant for a one off specific activity not related to the SME's usual operating costs.	50%
25	Aid for research and development projects	Operating	Feasibility studies only – open to all size of organisation	50% with an increase by 10% for medium sized enterprises and 20% for small companies
28	Innovation aid for SMEs	Operating	SMEs only. Costs for secondment of highly qualified personnel from a research and knowledge-dissemination organisation or a large enterprise, working on research, development and innovation activities in a newly created function within the beneficiary and not replacing other personnel	50%
31	Training aid	Operating	Trainer's personnel costs, trainers and trainees expenses excluding accommodation. Open to all size of organisation.	50% with an increase of 10% for medium sized enterprises and 20% for small companies
38	Investment aid for energy efficiency measures	Capital/Operating	Aid shall not be granted where improvements are undertaken to ensure that undertakings comply with Union standards. Eligible costs shall be the extra investment costs necessary to achieve the higher level of energy efficiency.	30% with an increase by 20% for small companies and 10% for medium sized enterprises.
46	Investment aid for energy efficient district heating and cooling	Capital	Aid to support the additional costs to deliver the most energy efficient systems for district heating or cooling	45% with an increase of 20% for small and 10% for medium. A 15% increase for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the Treaty and by 5% for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the Treaty.
17	Investment aid to SMEs	Capital and Revenue	Investment relating to the setting up of a new	20% of eligible costs for small

			establishment, the extension of an existing establishment, diversification of the output of an establishment into new additional products or fundamental change in the overall process of an existing establishment. Also, the acquisition of assets belonging to an establishment where the establishment has close or would have closed had it not been purchase (subject to specific conditions).	enterprises and 10% for medium sized enterprises.
19	Aid to SMEs for participation in fairs	Revenue	Costs incurred for renting, setting up and running the stand for the participation of an undertaking in any particular fair or exhibition.	50% of the eligible costs.
20	Aid for cooperating costs incurred by SMEs participating in European Territorial Cooperation projects	Capital and Revenue	Costs for organisational cooperation including the cost of staff and offices to the extent that it is linked to the cooperation project; costs of advisory and support services linked to cooperation and delivered by external consultants and service providers; travel expenses, costs of equipment and investment expenditure directly related to the project. All to be outside of the undertaking's usual operating costs.	50% of the eligible costs.
22	Aid for Start Ups	Capital/Operating	Eligible undertakings shall be unlisted small enterprises up to 5 years following their registration; which have not yet distributed profits and have not been formed through a merger. For eligible undertakings that are not subject to registration the five years eligibility period may be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.	Up to a maximum of 0.4 million euros gross grant equivalent or up to 0.6 million euros for undertakings in assisted areas fulfilling Article 107(3)(c) of the Treaty.

**APPENDIX 2: GRANT PROGRAMME
FLOW CHART**

