



EUROPEAN COMMISSION

DIRECTORATE-GENERAL

CLIMATE ACTION

Directorate C – Innovation for Clean Growth and Low Carbon Economy

The Director

DIRECTORATE-GENERAL FOR COMPETITION

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The Director

Grants-as-a-Service (GaaS) possibility under the Innovation Fund (IF) ‘regular’ grants calls

Concept Note

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1. Introduction

Because of the limited budget available, Innovation Fund (IF) calls are largely oversubscribed (up to 20 times more than their budget). As a result, a large number of projects do not obtain IF funding despite meeting minimum quality requirements in the IF evaluation, because of high competition. To support those projects with alternative means, MS could set up national schemes to grant national funding. Moreover, it is possible that the IF grant does not fully cover the project's financial needs and that some projects therefore need additional (national) funding.

Building on the work of alignment between the IF and State aid requirements as well as on the experience of [Auctions-as-a-Service](#)¹, the Clean Industrial Deal State Aid Framework (CISAF) that was adopted on 25 June 2025², has a dedicated section (Section 7) on compatibility rules for national schemes supporting projects that succeeded in the evaluation of IF 'regular' grants³ i.e. so-called Grants-as-a-Service (GaaS) schemes. Setting up a GaaS scheme under CISAF could enable MS to save administrative effort and optimally benefit from the EU-level selection.

Already in 2024, it was proposed by the Commission that Member States (MS) can set up national schemes under CEEAG⁴ to support IF industrial decarbonisation projects with their national budgets. However, now that the Commission has adopted a new, simplified State aid framework (CISAF) covering not only investments accelerating the rollout of clean energy and industrial decarbonisation, but also investments that add manufacturing capacity for specified clean technologies, those simplified rules can make GaaS schemes more attractive.

Compared to CEEAG, State aid requirements are streamlined for GaaS schemes under CISAF, thus facilitating State aid approval process. Notification forms will be made available and Commission services are ready to engage with interested MS. In order to take advantage of the GaaS feature of the IF call, MS should make their intention to provide national funding to IF projects public ('political announcement') before the IF call opening, so that applicants are aware of the national envelope. At latest, the political announcement needs to be made before the IF call closes.

MS are encouraged to start the (pre)notification procedure as early as possible and in any event before the political announcement, to test their scheme design with the Commission services in advance. The next opportunity for the GaaS schemes will be IF25 Net Zero Technologies call for proposals that will open at the end of 2025.

¹ Auctions-as-a-Service arrangement already operationalised in 2023 is becoming increasingly popular in the context of the European Hydrogen Bank auctions.

² Communication from the Commission – Framework for State Aid measures to support the Clean Industrial Deal (Clean Industrial Deal State Aid Framework)(C/2025/3602)

³ IF can provide support via (1) 'regular' grants based on the evaluation of multiple award criteria and in form of the lump sum payments linked to reaching project's milestones as early as of Financial Close and (2) auctions based on the price-only competition and in the form of unit cost contribution as of Entry into Operation and (3) financial instruments.

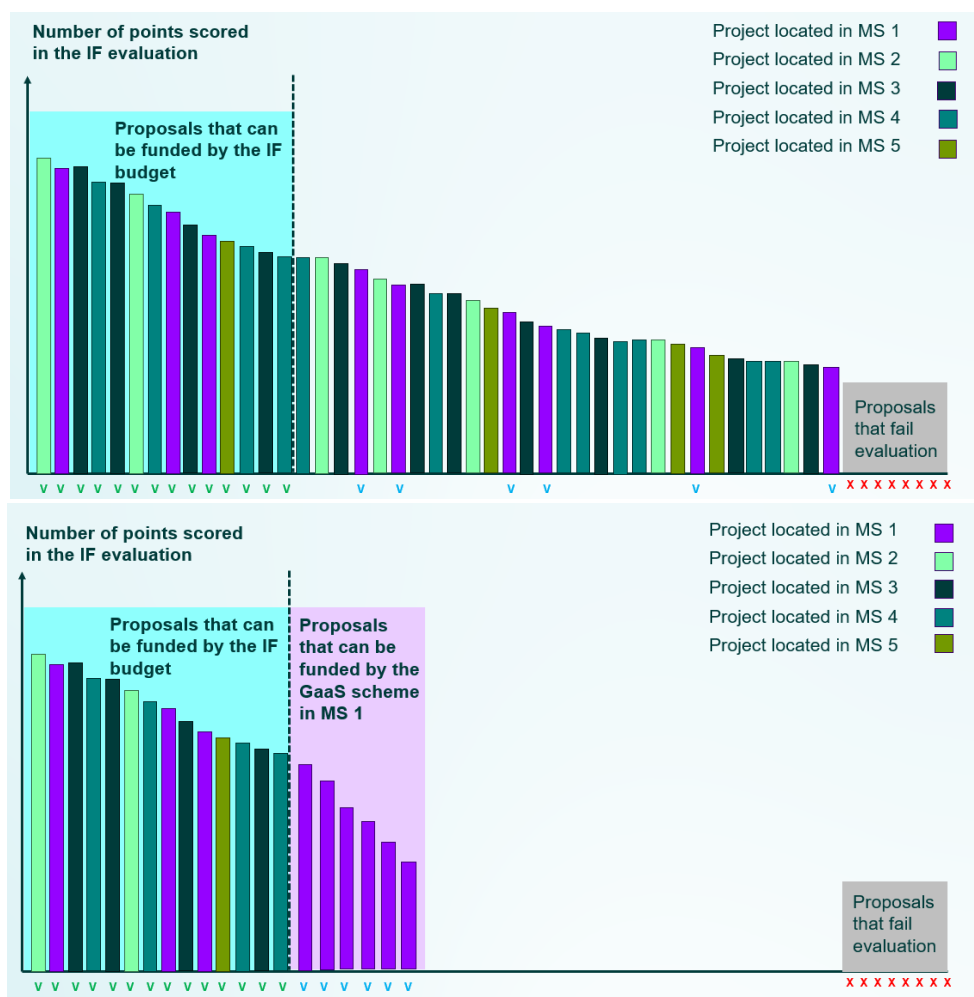
⁴ Guidelines on State aid for climate, environmental protection and energy 2022 (2022/C 80/01).

2. What is GaaS?

GaaS means that MS can design State aid schemes to provide support to IF projects that:

- have not been awarded an IF grant but successfully passed the IF evaluation and have been awarded a STEP Seal⁵ ('**substitute aid**'), and/or
- have been awarded an IF grant⁶ but still need additional public funding ('**top-up aid**').

The graphs below illustrate the mechanism of the GaaS ('substitute' aid) scheme.



In this way, the national authorities can use the IF selection process 'as a service'. This would reduce the national checks to the minimum and maximise synergies between the IF and national funding possibilities. The results of IF assessment would be passed on to the national authorities and IF applicants would need to accept that the information is passed on.

Applicants who have participated in the IF evaluation process and are eligible for GaaS schemes would need to provide only limited additional information to the national authorities.

MS would remain responsible for disbursing the national funding and for monitoring the project implementation (according to IF milestones and requirements, notably on GHG abatement reaching at

⁵ Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP).

⁶ Those projects also receive STEP seal.

least 75% of GHG savings claimed in the application) and beneficiaries would be encouraged to participate in the IF knowledge-sharing activities.

Sections below describe CISAF conditions applicable to GaaS schemes and the advantages of GaaS for EU, MS and IF applicants.

3. Compatibility conditions applicable to GaaS schemes

Any funding from Member States' budget for which the cumulative conditions of Article 107 (1) TFEU are fulfilled, falls under State aid rules. Such funding can only be granted either if it is covered by a block exemption⁷ and complies with all the conditions of a block exempted measure or if it is approved by the Commission. With the exception of small and medium-scale projects, the support awarded to the IF projects (and by analogy equivalent funding provided by MS) tends to exceed the block exemption thresholds and requires thus prior approval.

To facilitate setting up GaaS schemes by MS, the CISAF includes a section dedicated to the projects that passed evaluation under the IF. Once a GaaS scheme is approved by the Commission, MS may proceed with granting aid to IF projects eligible under the GaaS scheme.

While the CISAF largely streamlines the process, some additional State aid requirements not fully covered by the IF selection still need to be checked by MS and additional documentation⁸ might be required from applicants. MS can also add additional requirements beyond those established in the IF calls as long as included in the notification for the State aid scheme and approved by the Commission⁹.

In practice, MS have to ensure the following:

- aid must not be granted to undertakings in difficulty or under recovery order and cannot be conditioned on the relocation of an activity;
- MSs must comply with the monitoring and reporting rules enshrined in the CISAF;
- works on the project cannot start before the application to the IF
- the aided activity or the aid measure or its conditions, do not entail a violation of relevant Union law.

Where MS do not implement a GaaS scheme in line with CISAF, they might still find other alternatives to support IF projects, for example under the Regional Aid Guidelines or CEEAG. Such alternatives might require a more in-depth State aid assessment of the individual measure.

⁷ When aid is provided based on the Commission Regulation (EU) No 651/2014 i.e. covered by a 'block exemption', Member States can grant such aid under a block-exempted scheme or as block-exempted *ad hoc* aid without prior approval by the Commission. In that case, neither the aid scheme, nor the aid granted under the scheme need to be notified to the Commission for prior approval.

⁸ Documentation additional to the IF application submission.

⁹ Member States may include additional conditions to their aid schemes, either substantive or procedural. This is allowed provided they do not contradict or render ineffective other State aid compatibility rules. For example, Member States may design the administrative process of the aid scheme by laying down, among others, specific deadlines, requirement for supporting documents, or for the documents to be in the national language.

a. Aid scheme

The State aid measure needs to be designed in the form of an aid scheme which allows without further implementing measures being required, to provide individual aid awards to undertakings defined within the act in a general and abstract manner.

Such an aid scheme must have an estimated budget¹⁰ and can cover one or multiple upcoming IF ‘regular’ calls for proposals.

b. Following the IF ranking

When allocating aid to projects eligible under the GaaS scheme, MS must follow the ranking established in the evaluation of the relevant IF call for proposal.

c. Scope of the scheme

The GaaS scheme must be open to all projects eligible for the IF ‘regular’ calls for proposals that comply with conditions set out in Section 7 CISAF¹¹. If necessary, the eligibility can be restricted to one of the three broad categories:

- 1) production (and storage) of clean energy,
- 2) industrial decarbonisation (i.e. projects reducing direct greenhouse gas emissions in industrial installations),
- 3) clean-tech manufacturing.

In principle, eligibility must not be restricted to specific sectors or technologies¹² and could cover several rounds of IF calls (e.g. two to three). Furthermore, the GaaS schemes must not be designed to selectively favour a specific undertaking or sector or to grant aid to already identified undertakings or to undertakings in difficulty.

Compared to the IF rules, additional requirements need to be respected for GaaS schemes. More specifically:

- For **production and storage of renewable energy**:
 - If electricity storage is supported (except if it is part of industrial decarbonisation project), MS must confirm that demand response, storage and aggregators have the possibility to participate in all electricity markets, including ancillary services, on a non-discriminatory basis. Alternatively, MS must confirm that they have derogations from the relevant Union law. Where MS do not provide either confirmation, the duration of GaaS schemes would be limited to 2 years at most.

¹⁰ Member State can either allocate an annual budget per Innovation Fund call or reserve support to a certain percentage of the projects that were successful in the Innovation Fund evaluation and have been awarded a STEP Seal from each call.

¹¹ Eligibility of the IF is slightly larger than under section 7 of CISAF. Projects concerning decarbonisation of mobility (beyond the production of fuels) or buildings are also eligible under IF but do not fall in scope of the CISAF. If MS wish to align with full IF eligibility, the GaaS scheme would need to be reviewed under CEEAG. Similarly, energy infrastructure is not in all cases covered by CISAF and may require discussion in the GaaS scheme prenotification phase.

¹² To limit the scheme’s eligibility to certain sectors or technologies, MS would need to justify such limited eligibility based on objective considerations and demonstrate that the scheme does not unduly exclude more climate and environmentally friendly solutions.

- If production of RFNBOs¹³ is supported, the supported fuels must be produced from renewable energy sources in accordance with the methodologies set out in Directive (EU) 2018/2001 and its implementing or delegated acts¹⁴.
- If production of biofuels, bioliquids, biogas (including biomethane) and biomass fuels is supported, the aided fuels must comply with the sustainability and greenhouse gases emissions saving criteria set out in Directive (EU) 2018/2001 and its implementing or delegated acts¹⁵.
- **For production and storage of low-carbon fuels^{16 17}:**
 - If production of RFNBOs is supported, the supported fuels must be produced from renewable energy sources in accordance with the methodologies set out in Directive (EU) 2018/2001 and its implementing or delegated acts.
 - If production of low-carbon fuels is supported, the aided fuels must meet the greenhouse gas emission reduction threshold of 70 % compared to the fossil fuel comparator in accordance with the methodologies set out in Directive (EU) 2024/1788 and its implementing or delegated acts.
- **For decarbonisation of industrial activities:**
 - Aid can only be granted for the decarbonisation of existing operations and the aid cannot increase the overall production capacity of the beneficiary.¹⁸
 - Projects must deliver overall GHG emissions reductions (i.e. not result in the displacement of GHG emissions from the industrial sector concerned to the energy sector or from one industrial site to another) – this is notably pertinent for the electrification projects considering that in the IF GHG abatement methodology electricity emissions are zero-rated.
 - If investments rely wholly or partly on the use of biofuels, bioliquids, biogas (including biomethane) and biomass fuels is supported, MS must ensure that the aided fuels are compliant with the sustainability and greenhouse gases emissions saving criteria set out in Directive (EU) 2018/2001 and its implementing or delegated acts¹⁹.
 - If use of hydrogen or hydrogen-derived fuels is supported, MS must impose conditions ensuring that the hydrogen or hydrogen-derived fuels used in the projects are either RFNBOs or low-carbon fuels. These fuels may also be combined with hydrogen produced from biomass compliant with the sustainability and greenhouse gases emissions saving criteria in Directive (EU) 2018/2001 and its implementing or delegated acts.
 - If deployment of carbon capturing equipment is supported, MS must ensure that projects covering investments in carbon capturing equipment will upon entry into operation result in the avoidance of direct greenhouse gas emissions taking into account the entire carbon capture and storage (CCS) or carbon capture and utilisation (CCU)

¹³ RFNBOs are defined in Directive (EU) 2018/2001 and its delegated acts.

¹⁴ Investments that produce low-carbon fuels along with RFNBOs may be covered as well if the share of low-carbon fuels produced does not exceed 20 % of the total output.

¹⁵ As far it is already required by IF, MS do not need to provide additional justifications. This has been the condition for passing the IF evaluation in all the past IF calls for proposals.

¹⁶ Low-carbon fuels are defined in Directive (EU) 2024/1788 and include recycled carbon fuels, low-carbon hydrogen and synthetic gaseous and liquid fuels the energy content of which is derived from low-carbon hydrogen

¹⁷ Including for the production and storage of RFNBOs and low-carbon fuels in a single investment, where the share of the latter exceeds 20% of the total output.

¹⁸ Except for the cases of temporary increases of the production capacity during the transitory period or limited capacity increases resulting from technical necessity not exceeding 15 % compared to the situation before. Greenfield decarbonisation projects are not eligible under the CISAF.

¹⁹ As far it is already required by IF, MS do not need to provide additional justifications. This has been the condition for passing the IF evaluation in all the past IF calls for proposals.

chain²⁰. If new investments based on natural gas as a means to reduce emissions or increase energy efficiency are supported, MS must demonstrate (i) that there is no technologically mature alternative for natural gas, (ii) that alternatives to natural gas are not yet feasible due to insufficient availability or infrastructure, or (iii) that the decarbonisation will take place in stages. In all these situations, Member States must require that beneficiaries submit a credible and detailed plan showing how natural gas will be phased out by 2040; the Member State must ensure that this phase out is implemented. In addition, investments that are largely based on natural gas as a means to decarbonise industrial heat must, upon entry into operation, deliver a reduction in direct greenhouse gas emissions of at least 70 % or a reduction of energy consumption per unit of output of at least 40 %.

- **For clean-tech manufacturing**

- MS need to ensure that the investment project adds manufacturing capacity for the production of; (i) the final products listed in Annex II to the CISAF; and/or (ii) their main specific components listed in Annex II to the CISAF and/or (iii) new or recovered related critical materials necessary for the production of the final products or main specific components
- While the categories of eligible costs for IF and State aid are the same, specific conditions apply for the eligibility of intangible assets under Section 6 of the CISAF²¹.
- MSs must ensure that beneficiary provides a financial contribution of at least 25 % of the eligible costs, through its own resources or by external financing, in a form that is free of any public support.
- MSs must ensure that the beneficiary commits to maintain the investment in the area concerned for a minimum period of five years, or three years for SMEs, after the completion of the project, with a view to create durable quality jobs in the European Union.
- MSs must ensure that the aid cannot be provided to facilitate relocation of production activities within the EEA, in particular to prevent the aid from causing job losses. For this purpose, the beneficiary has to:
 - confirm that in the two years preceding the application for aid, it has not carried out a relocation to the establishment in which the aided investment is to take place; and
 - commit not to carry out such relocation up to a period of two years after completion of the investment.

e. Aid sizing

Aid sizing enables to define the maximum aid amount for the projects eligible under the GaaS scheme.

In case of ‘top-up’ aid targeting projects that have been awarded an IF grant.

²⁰ As far it is already required by IF, MS do not need to provide additional justifications. Achieving at least 50% relative reduction of GHG emissions together with justification on the CO₂ storage site and/or the CO₂ utilisation product in order to ensure the permanence of the avoided CO₂ has been the condition for passing the IF evaluation in all the past IF calls for proposals.

²¹ Intangible assets must: i) remain associated with the area concerned and must not be transferred to other areas; ii) be used primarily in the relevant production facility receiving the aid; iii) be amortisable; iv) be purchased under market conditions from third parties unrelated to the buyer; v) be included in the assets of the undertaking that receives the aid; and vi) remain associated with the project for which the aid is awarded for at least five years (or three years for SMEs).

The general CISAF cumulation rules²² have to be respected, in order to ensure that combination of IF funding and State aid does not exceed the highest support intensity or amount applicable under any of the relevant conditions. That highest support can derive either from IF rules or from State aid rules.

In case of ‘substitute’ aid (targeting projects that have not been awarded an IF grant but have been awarded a STEP Seal):

- For **productions (and storage) of clean energy and industrial decarbonisation**, MS may choose one of the following aid sizing methodologies for their GaaS scheme:
 1. **Aid intensity** (for aid amounts up to EUR 200 million): the maximum aid amount under an aid scheme can be determined on the basis of a percentage of the eligible costs of an investment (aid intensity). The maximum aid intensity cannot be higher than:
 - a. 60 % for investments enabling the use of hydrogen or hydrogen-derived fuels, where the share of RFNBOs is at least 40 %;
 - b. 45 % for investments in the production of renewable energy, energy storage, investments in flexible electrification, investments in carbon capture equipment;
 - c. 35 % for investments enabling the use of low-carbon fuels;
 - d. 20 % for investments in the production of low-carbon fuels;
 - e. 30 % for all other technologies.

For investments made by small enterprises, the aid intensities above can be increased by 10 percentage points and for investments made by medium-sized enterprises, the aid intensities can be increased by 5 percentage points.

2. **Funding gap**: the maximum aid amount can be defined as the funding gap of the eligible investment (as defined by CISAF). Applicants under the scheme must be required to use a uniform template for calculating the funding gap, according to the methodology set up by MS²³.

If the aid amount defined by funding gap methodology exceeds EUR 30 million per undertaking per project, a claw-back mechanism must be put in place that ensures that the Member State receives an appropriate share of any additional surpluses generated by an aided project.

3. **Relevant cost methodology of the IF** combined with claw-back: the maximum aid amount under an aid scheme can be determined as the maximum grant available under the IF (i.e. based on the relevant costs methodology), which will be fully coherent with the project’s financial model. In all cases, the IF relevant costs methodology needs to be coupled with an **effective claw-back mechanism** that:
 - a. Addresses the occurrence of additional gains by establishing and reclaiming a project’s surplus to the extent that the Internal Rate of Return of supported projects exceeds the WACC accepted in the IF relevant costs methodology.
 - b. Is applied for the first time at least 5 years, and for the last time at least 10 years after a project’s entry into operation - as defined under IF call.
 - c. Has a calculation carried out and checked based on separate accounting for the aided project, verified by an independent auditor.

²² Also called ‘combination rules’.

²³ When the aid calculated on the basis of the project’s funding gap exceeds the highest of EUR 200 million or 10 % of the scheme’s budget per undertaking per project, the funding gap must be assessed by the Commission following a separate notification.

- d. In the final application of the claw-back mechanism, takes into account the project's terminal value.
 - e. Is designed in a way to keep incentives for the beneficiaries to implement the project in the most efficient manner over time with a State share set at no less than 70 % of the surplus.
- For **clean-tech manufacturing**, Member States have the choice between two aid sizing methods:

1. The first method relies on aid sizing on the basis of maximum aid intensities and aid amounts:

- a. Where the investment project takes place outside assisted areas²⁴, the aid intensity cannot exceed 15 % of the eligible costs and the aid amount cannot exceed EUR 150 million per project.
- b. Where the investment project takes place in an assisted area under Article 107(3), point (c), of the Treaty ('c' area), the aid intensity cannot exceed 20 % of the eligible costs and the aid amount cannot exceed EUR 200 million per project.
- c. Where the investment project takes place in an assisted area under Article 107(3), point (a), of the Treaty ('a' area), the aid intensity cannot exceed 35 % of the eligible costs and the aid amount cannot exceed EUR 350 million per project.

For investments made by small enterprises, the aid intensities above can be further increased by 20 percentage points, and for investments made by medium-sized enterprises, the aid intensities can be increased by 10 percentage points.

Member States must also ensure that these maximum aid amounts are not circumvented by artificially splitting up the aided projects.

2. The second method, as an alternative to the aid intensities and aid amounts above, relies on the relevant cost methodology of the IF for projects whose Degree of Innovation score under the IF is evaluated as strong. The grant sized for the purpose of the IF evaluation (with the relevant costs methodology) is then, in principle, the maximum grant amount (which will be fully coherent with the projects financial model). That alternative methodology can only be applied provided that the following **aid intensities and aid amounts are respected:**

- a. Where the investment project takes place outside assisted areas, the aid intensity cannot exceed 25 % of the eligible costs and the aid amount cannot exceed EUR 150 million per project.
- b. Where the investment project takes place in a 'c' area, the aid intensity cannot exceed 40 % of the eligible costs and the aid amount cannot exceed EUR 200 million per project.
- c. Where the investment project takes place in an 'a' area, the aid intensity cannot exceed 55 % of the eligible costs and the aid amount cannot exceed EUR 350 million per project.

For investments made by small enterprises, the aid intensities above can be further increased by 20 percentage points and for investments made by medium-sized enterprises, those aid intensities can be further increased by 10 percentage points.

²⁴ An area designated in a regional aid map approved by the Commission and in force at the time of granting the aid. Regional aid maps 2022-2027 are available here: [Maps 2022 2027 - European Commission](#).

Member States must also ensure that these maximum aid amounts are not circumvented by artificially splitting up the aided projects.

The IF relevant costs methodology needs to be also complemented with an **effective claw-back mechanism** that:

- a. Addresses the occurrence of additional gains by establishing and reclaiming a project's surplus to the extent that the Internal Rate of Return of supported projects exceeds the WACC accepted in line with the IF relevant costs methodology.
- b. Is applied for the first time at least 5 years, and for the last time at least 10 years after a project's entry into operation - as defined under IF call.
- c. Has a calculation carried out and checked based on separate accounting for the aided project, verified by an independent auditor.
- d. In the final application of the claw-back mechanism, takes into account the project's terminal value.
- e. Is designed in a way to keep incentives for the beneficiaries to implement the project in the most efficient manner over time with a State share set at no less than 70 % of the surplus.

f. Early engagement with the Commission services and language waiver

GaaS schemes can be multiannual i.e. they can cover projects stemming from more than one upcoming call for proposals under the IF. There is then no need to renotify the scheme to the Commission for all upcoming calls covered by the scheme.

MS are invited to initiate prenotification contacts with DG COMP without delay **before the IF call opening and before the political announcement** so that main features can be discussed with DG COMP and issues can be solved in advance.

In addition, MS are also encouraged to provide a language waiver for the adoption of the decision in English, as this significantly reduces the length of the approval procedure.

4. Advantages of GaaS

Grants-as-a-Service present the following advantages:

For the EU

- **Funding from the IF (as is the case for all EU level funding) is limited.** At the same time, there is a growing pool of projects that are successful in the IF evaluation and that could benefit from national support so that they can be realised. GaaS schemes could **increase the reach and impact of the IF**. MS and beneficiaries would be encouraged to participate in the **IF knowledge-sharing** activities. There will be consistency between IF applications and SA applications for the same project.
- GaaS schemes could replace and thus reduce number of separate national calls. This would help avoiding the fragmentation of public support and '**Europeanise national support**', in addition to beneficial impacts for the internal market, as put forward in the Draghi report.

For MS

- Through GaaS, MS can benefit from EU-level competition and a well-established selection process at the EU level.
- The ‘as a service’ feature means:
 - MS can **save administrative effort**.
 - MS will only have to further evaluate quality projects, and they will have all the information gathered during the IF selection process at their disposal. By relying on the IF evaluation, the **checks of the national authorities** on State aid compliance would be **reduced to the minimum**.
- In case of interest by MS, the Commission services could **help interested MS in setting up such schemes**.

For IF applicants

- Easier navigation through the national support possibilities as GaaS schemes are expected to be much more comparable.
- **One entry point** in the support scheme (MS could rely on the application to the IF and ask for only limited additional information).