An Roinn Iompair
Department of Transport

General Block Exemption Regulation ("GBER") Commission Regulation (EU) No. 651/2014

Assessment Note

Department of Transport Alternatively-fuelled Heavy Duty Vehicle (AFHDV) Purchase Grant Scheme Details

Contents

1. Objectives of the AFHDV Purchase Grant Scheme

The objective of the Alternatively-Fuelled Heavy Duty Vehicle (AFHDV) Purchase Grant Scheme is to assist the transition to low- and zero emission vehicle technologies in the difficult-to-mitigate and disproportionately high emitting heavy-duty road transport sector. The overarching objective of the AFHDV Scheme is to contribute to the reduction of Ireland's transport emissions and to building a climate resilient low carbon transport sector by 2050.

Although heavy duty vehicles (***HDVs***) only account for approximately 5% of vehicles on European Union (***EU***) roads, they are responsible for around 25% of all road transport emissions. In 2019 alone, it was estimated that the HDV sector contributed over 19% of total Irish land transport emissions. Projections indicate that without significant policy action, an upward emission trajectory is set to continue.

The Scheme therefore aims to accelerate the decarbonisation of the heavy-duty transport sector, which includes trucks, buses and coaches. Co-benefits and secondary objectives associated with the Scheme include the normalisation and demonstration of low and zero-emission heavy-duty vehicle technologies to industry and society; accelerated roll-out of supporting alternative fuels infrastructure; and localised reductions in emissions, air pollutant emissions and vehicular noise pollution.

2. Legal Basis

The implementation of the purchase grant scheme was proposed as a key recommendation to Government by the multi-stakeholder *Low Emission Vehicle Taskforce*. It was also among the recommendations of the multi-stakeholder Government-funded *Freight Decarbonisation Study*. These recommendations emerged in the context of wider national policies to develop pathways to alternative and low-emission fuels and technologies for the HDV transport sector, as referenced in the *National Policy Framework Alternative Fuels Infrastructure for Transport in Ireland 2017 to 2030*; the statutory *National Mitigation Plan 2017*; and the all-of-government *Climate Action Plan 2019 to tackle Climate Breakdown.*

The national legal basis for the Scheme is commitments given under the statutory Annual Sectoral Mitigation Transition Statements of the Minister of Transport to the Houses of the Oireachtas ("the Irish Parliament", under the Climate Action and Low Carbon development Act, 2015.

Funding for the Scheme is approved by Ireland's Lower House of Parliament ('the Dáil') through the Estimates Process and section 2(4) of the Ministers and Secretaries Act 1924. Section 2(4) provides that the expenses of each of the State's ministries must be paid out of moneys approved and provided by the Oireachtas.

The state aid basis for the operation of this Scheme is the Common Provisions, Chapter 1, Article 36 and Annex I of the General Block Exemption Regulation for 2014-2020, published in EU *Official Journal* No. 57, 26 June 2014, Commission Regulation (EU) No. 651/2014 (General Block Exemption Regulation (GBER)).

3. Definitions

For the purposes of this scheme the definitions set out in GBER, Article 2 shall apply.

The determination and definition of the SME status of an undertaking applying for aid under the AFHDV Scheme shall be as per Article 2, and as per Annex I of the GBER.

4. Period of Validity

This scheme shall operate from 15 March 2021 until 15 March 2023. At this time, its impact will be assessed with the possibility of extending the Scheme on an annual basis subject to the provisions of any revised version of the GBER that may come into force after the current GBER prolongation period comes to an end on 31 December 2023.

5. Budget

The allocated budget for the first year of the AFHDV Scheme is €2 million. Annual allocations thereafter will be determined having regard to expected uptake rates and wider budgetary limitations.

The average annual State aid budget for the AFHDV Scheme will not exceed €150 million.

Under Article 4.1(s), the Regulation shall not apply to investment aid for environmental protection (excluding investment aid for the remediation of contaminated sites and aid for the distribution network part of the energy efficient district heating and cooling installation), which exceeds €15 million per undertaking per investment project.

The maximum funding threshold under the Scheme for any single enterprise or undertaking (including affiliates, and as defined in GBER, Annex I) is capped at €500,000 per individual undertaking. Applicants in receipt of total AFHDV grant funding to the value of €500,000 are not eligible for any additional support under the Scheme. Consequently, no undertaking will receive aid exceeding €15 million under the Scheme.

6. Funding

Funding for the scheme is provided by the Department of Transport from the B06 subheading. Funding is determined through the annual estimates process and the final amounts made available to the schemes as noted in the Estimates for Public Services approved by Dáil Éireann.

7. Form of Aid

Only transparent forms of aid will be paid, i.e. in which it is possible to calculate precisely the gross grant equivalent as a percentage of eligible expenditure ex ante without need to undertake a risk assessment.

8. Who can apply/Award of Grants

The AFHDV Scheme will encourage the purchase of new alternatively-fuelled HDVs by enterprises (as defined in GBER Annex I) in connection with commercial activity, and is open to all enterprises carrying out such activity.

Where an Applicant is predominantly established in an EU Member State that is not Ireland, as is permitted under GBER Article 1.5(b), the Applicant is required to show that it has some establishment, branch or activity within Ireland at the time of payment of any grant under the Scheme. The Scheme does not contain any obligation for the beneficiary to use nationally produced goods or national services.

Applicants are ineligible to receive funding under the Scheme if:

(a) the Applicant and its Affiliates have received Grants under the Scheme:

(i) where the combined total of such Grants exceeds €500,000; or

(ii) in respect of more than twenty (20) AFHDVs;

(b) the Vehicle has received or is to receive any other subsidy or grant under any other scheme;

(c) the Applicant and any affiliates are subject to an outstanding recovery order made by the European Commission for repayment of illegal State aid previously granted by the State;

(d) the Applicant and any affiliates are an undertaking in difficulty;

(e) the Applicant has already purchased the Vehicle prior to applying for support under the Scheme.

9. Incentive Effect

This Scheme shall apply only to aid which has an incentive effect. It is intended to support vehicles that would not otherwise have been purchased without its support.

Aid shall be considered to have an incentive effect if eligible vehicles for which support is being sought are:

(a) new, as of the start of the Grant Availability Period and

(i) have not been registered pursuant to the Finance Act 1992 in the name of any person; and

(ii) have not been acquired by Applicants, or been the subject of any agreement or contract for its acquisition by Applicants; and

(b) have not been used prior to acquisition by Applicants (except in respect of incidental transit to a motor trader authorised to sell the relevant model of AFHDV).

The application for the aid shall contain at least the following information:

(a) undertaking's name and size;

(b) a financial statement for the undertaking for the last two (2) operating years, or a link to published accounts, if applicable;

(b) a copy of the registration certificate for the new purchased vehicle showing, amongst other things, the vehicle identification number, the vehicle as registered in Ireland and the applicant as registered owner;
(c) a copy of an invoice showing that the vehicle was purchased by the applicant; showing the vehicle purchase price exclusive of VAT and other discounts; and showing that the invoice was issued on a date following the date of issue of an initial Grant Letter;
(d) documents demonstrating compliance with legal and tax requirements, including copies of insurance and tax certificates, and tax reference number and clearance access numbers.

If a vehicle has been ordered, purchased or registered before the applicant has submitted a written application to the Scheme administrator, the vehicle is ineligible for aid.

10. Scope of the Scheme

The Regulation (GBER, Article 1.1(c)) shall apply to aid for environmental protection.

The AFHDV Scheme constitutes investment aid enabling undertakings to go beyond Union standards for environmental protection or to increase the level of environmental protection in the absence of Union standards.

Under GBER, Article 36, the Scheme shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled (as per GBER Article 36.1).

The aid shall enable the beneficiary to increase the level of environmental protection resulting from its activities in the absence of Union standards (GBER, Article 36.2(b).

Aid shall not be granted where investments are undertaken to ensure that undertakings comply with Union standards already adopted and not yet in force (GBER, Article 36.3).

11. Eligible costs and aid intensity

For the purposes of calculating aid intensity and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

As part of the Scheme oversight process, the documentary evidence supporting the eligible costs will be reviewed from time to time and on an annual basis to ensure the accuracy and contemporaneity of all figures used.

The eligible costs shall be the extra investment costs necessary to go beyond the applicable Union standards or to increase the level of environmental protection in the absence of Union standards (GBER, Article 36.5).

They shall be determined as follows:

(a) where the costs of investing in environmental protection can be identified in the total investment cost as a separate investment, this environmental protection-related cost shall constitute the eligible costs;

(b) in all other cases, the costs of investing in environmental protection are identified by reference to a similar, less environmentally friendly investment that would have been credibly carried out without the aid. The difference between the costs of both investments identifies the environmental protection-related cost and constitutes the eligible costs.

The costs not directly linked to the achievement of a higher level of environmental protection shall not be eligible.

The aid intensity shall not exceed 40 % of the eligible costs.

The aid intensity may be increased by 10 percentage points for aid granted to medium sized undertakings and by 20 percentage points for aid granted to small undertakings (as defined in GBER, Annex I).

Under the AFHDV Scheme, the provisions set out in Article 36.8 of the GBER will not apply. These provisions relate to the increase of aid intensity by 15 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(a) of the Treaty, and by 5 percentage points for investments located in assisted areas fulfilling the conditions of Article 107(3)(c) of the Treaty. The provisions of Article 36.8 will not be invoked to increase aid intensity beyond the levels set out above.

12. Cumulation

The scheme will comply with the regulations relating to cumulation as defined by GBER, Article 8.

Aid with identifiable eligible costs exempted by this Regulation may be cumulated with any other State aid, as long as those measures concern different identifiable eligible costs.

Aid under this Scheme shall not be cumulated with any de minimis aid in respect of the same eligible costs. Vehicles purchased with the support of aid in the form of any other grant or scheme are not eligible for aid under the AFHDV Scheme.

13. Monitoring and reporting requirements

Records with the information and supporting documentation necessary to establish that all of the conditions laid down in the GBER are fulfilled will be kept for 10 years from the date of the last award of aid under the AFHDV Scheme.

As the maximum total grant support that may be awarded to a single undertaking (including affiliates) under the Scheme is €500,000, the requirement to publish information of grants exceeding €500,000 made to individual undertakings will not apply to this Scheme.

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

Where the Commission requests information and documentation which the Commission considers necessary to monitor the application of the GBER, such information and documentation shall be provided within 20 working days of receipt of the request from the Commission or such longer period as may be fixed in the request.

13. Publication and Information

A copy of this GBER scheme document for the AFHDV Scheme will be published on the website of the Department of Transport. The link to the Department's AFHDV Scheme webpage is as follows: https://www.gov.ie/en/publication/03971-alternatively-fuelled-heavy-duty-vehicle-afhdv-purchase-grant/

Further information on the Scheme and its provisions - including eligible costs, the calculation of grant amounts and the alternatively-fuelled technologies supported under the Scheme - is to be found on the website of Transport Infrastructure Ireland (TII).

The link to the full text of the AFHDV Scheme on the TII website is:
https://www.tii.ie/roads-tolling/tolling-information/afhdv-scheme/