

**WOOD ENERGY
BUSINESS SCHEME II
2008-2013**

**GUIDANCE NOTES FOR
APPLICANTS**

INTRODUCTION

1. These Guidance Notes explain the **Wood Energy Business Scheme**, the sorts of projects that may be eligible and the process by which projects will be evaluated. Please read it carefully. If you then consider that your investment plans may qualify for support under this scheme, please contact the Forestry Commission Wales to register your interest.
2. The Wood Energy Business Scheme II (WEBS II) is a European-funded grant scheme managed by Forestry Commission Wales, reporting to the Welsh European Funding Office (WEFO). The Scheme will run until 2013 and will deliver across both the Convergence and Competitiveness areas of Wales making this a pan Wales project. A map of the Convergence and Competitiveness boundaries is provided in Appendix 1.
3. WEBS II is governed by Structural Funds Regulations and the terms of Funding between WEFO and the Forestry Commission Wales. These notes are for guidance only and specific questions in relation to any project application may need to be referred to WEFO for further guidance.
4. WEBS II is an important mechanism by which the Forestry Commission Wales will deliver against a number of Welsh Assembly Government priorities as set out in *Woodlands for Wales*, The Welsh Assembly Government's Strategy for Woodlands and Trees. The main objectives of scheme are as follows:
 - To increase the use of wood as a renewable energy resource
 - To stimulate economic activity and job creation
 - To encourage the sustainable management of Welsh woodlands

5. In order to contribute to these Welsh Assembly Government objectives, WEBS II will provide capital grant support targeted to Micro, Small or Medium Enterprises (SMEs), including social enterprises, for the following types of investment:
- Efficient Wood heating systems;
 - Small scale electricity generation using wood [Combined Heat and Power (CHP)];
 - Woodfuel processing businesses.
6. The Scheme also has some budget for training and product and service innovation.

WHO CAN APPLY?

7. WEBS II is funded under the 2007-2013 European Programmes for Convergence and Competitiveness in Wales. The general purpose of these Programmes is to strengthen the regional economy of Wales. The WEBS 2 project has been developed under, *Priority 4: Creating an Attractive Business Environment*, which has the following objective:

To promote sustainable business growth and new business opportunities in relation to future environmental challenges and opportunities

8. This sets the scene for who is eligible. Convergence and Competitiveness funding is intended to support business growth and new businesses.

Eligible

- Micro¹, Small and Medium Enterprises are eligible.

¹ A micro-enterprise has less than 9 employees

- Social enterprises may be eligible where the primary purpose of the investment is economic. Where the primary purpose of the investment is social then they may not be eligible. Any case where the primary purpose is uncertain will be referred to WEFO for guidance.
- Large enterprises² may apply but will be referred to WEFO on a case by case basis in order that WEFO can ensure that the majority of funding in the programme as a whole is directed to SMEs.

Ineligible

- Farm and Forestry businesses are generally not eligible for Convergence and Competitiveness funding as they are eligible for support under measures available through the Rural Development Plan (RDP) for Wales 2007-2013.
- Public sector bodies are not eligible.
- Domestic dwellings are not eligible.

WHAT COST ITEMS ARE ELIGIBLE?

Wood-fuel heating systems

9. Funding is available for wood-fuelled **boiler** systems. These may be designed to burn wood chip, wood pellets or wood logs.

² “An SME must have fewer than 250 employees, have either an annual turnover not exceeding ECU 40 million or an annual balance sheet total not exceeding ECU 27 million and be independent.”

Eligible

All costs specifically associated with the wood fuel boiler system including:

- Boiler
- Boiler house (where this is specifically required to house the wood fuel boiler)
- Fuel store
- Fuel handling mechanism
- Pumps and Controls
- Pipework connecting the boiler to the hot water system
- Heat exchanger
- Flue
- Expansion vessels
- Buffer tanks
- Solar thermal panels for hot water which are integrated into the overall wood heating system.

10. Wood burning stoves are generally not eligible. However some forms of hot air heaters may be eligible where the following conditions can be met:

- They must be compliant with the Clean Air Act (suppliers must be able to provide Clean Air Act certificate)
- They must have a design efficiency of at least 80%. Efficiency rating needs to be supplied by suppliers of the equipment.
- They must have primary and secondary air control
- They must have insulated flue with means of access for cleaning.

Wood-fuelled CHP

11. These are emerging technologies. Due to the small number of likely projects and the unique nature of each one we advise that each project will be considered on a case by case basis.

Wood fuel supply

12. Due to the wide variety of potential processes designed to convert wood into fuel, we advise that each project will be considered on a case by case basis.

WHAT COST ITEMS ARE NOT ELIGIBLE?

13. The following items are examples of expenditure which are not eligible for grant aid. This is not a definitive list and all items will be considered on a case by case basis.

- Any costs incurred prior to the grant application being approved.
- Purchase of land and expenses relating thereto
- Working capital
- Any capital cost item not directly related to either wood fuel processing or related directly to wood fuel heating or CHP
- Vehicles for external transportation
- General purpose machinery or equipment not specifically required for wood fuel purposes (front end loaders, sawmilling equipment, office equipment etc)
- Consumables (items which are normally written off within one year)
- Maintenance costs
- Revenue costs such as salaries and overhead costs
- Fossil fuel boiler back-up boilers
- Internal heat distribution pipework (radiators and under-floor heating) and conventional hot water storage vessels
- Solar Photovoltaic panels.

HOW MUCH FUNDING CAN YOU RECEIVE?

14. The scheme is discretionary and the amount of grant offered would always be the minimum amount necessary to allow the investment to go ahead. The maximum amount of grant that can be offered is limited by the amount of funding made available by WEFO to the Forestry Commission Wales. The following table provides a general guide as to the likely maximum levels of funding which may be received.

Maximum grant rates	
Convergence Areas	Competitiveness Areas
41%	31%

15. It should be noted that European Community (EC) rules, known as "State Aid" rules, may further reduce the maximum grant rate depending on the size of the business, its location and the type of investment.

HOW ELSE CAN THE FORESTRY COMMISSION HELP?

16. The Forestry Commission is supporting the wood fuel supply chain by offering the opportunity for wood fuel suppliers to enter into "start-up" supply contracts for wood from the National Assembly's Woodlands. This will enable Wood Energy Businesses without immediate access to their own supply of wood to strengthen their business proposals. Supply contracts will be administered by the Forestry Commission Wales (Harvesting and Marketing team), in association with the Wood Energy Business Scheme. Contracts are being tailored in such a way as to encourage the use of wood from privately owned woodlands.

CRITERIA FOR SETTING THE GRANT RATE SET?

17. The following two main criteria will be used to determine the grant rate:

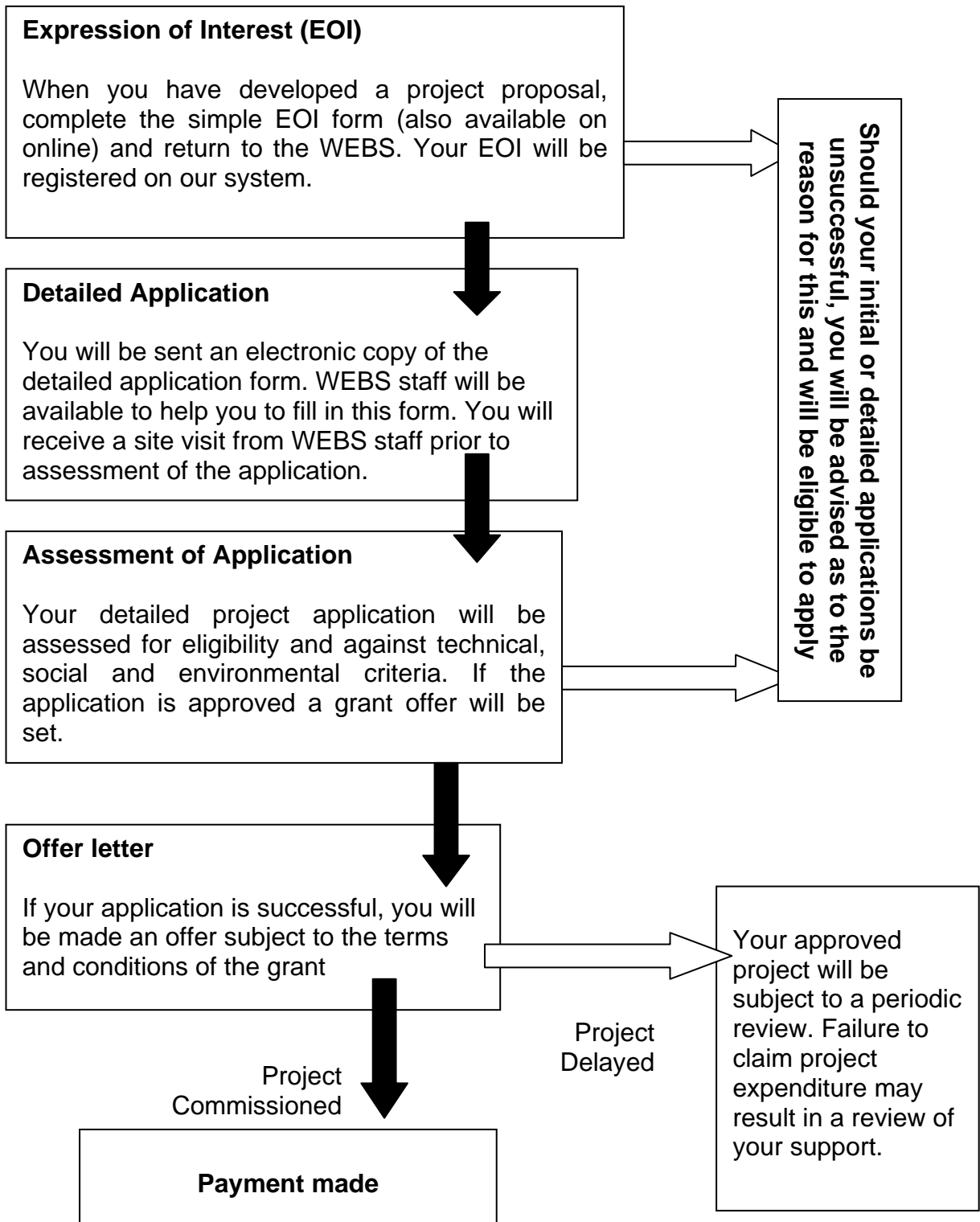
- **Capital cost.** The costs for each application will be compared to the costs of woodfuel projects of a similar size and fuel type. A range of benchmark costs has been developed from historical WEBS data and from the Carbon Trust's Biomass Heat Accelerator Programme.
- **Carbon Saving.** Information provided in the application form will generate a figure for annual tonnes saved of CO₂ per kw installed. Only those projects which score above 0.4 will be eligible for the maximum grant rate.
- **Other factors.** The following additional criteria will also be taken into account.
 - **Overall design.** Only projects which appear practical and well designed will be eligible for the maximum level of grant.
 - **Low environmental impact.** This takes account of the efficiency of the system, other energy efficiency measures in the building and the transport and processing issues associated with the fuel.
 - **Employment impact.**
 - **Social impact.** This takes account of noise, dust, vehicle movements and visible impact.

HOW DO I APPLY?

18. You can contact Forestry Commission Wales online at www.forestry.gov.uk/woodenergywales or you can phone, e-mail or write to us at the following addresses. Please note that Forestry Commission Wales will be moving office to the new address provided with effect from December 2009:

Address up to December 2009	Address from December 2009
Wood Energy Business Scheme Forestry Commission Victoria House Victoria Terrace Aberystwyth Ceredigion SY23 2DQ	Wood Energy Business Scheme Forestry Commission Wales Welsh Assembly Government Rhodfa Padarn Llanbadarn Fawr Aberystwyth Ceredigion SY23 3UR
Phone: 0845 604 0845	
Woodenergybusiness@forestry.gsi.gov.uk	

19. Grant applications and approval follow the following process.



20. Applications may be submitted at any time up to 31 December 2012 and the appraisal process will normally take a maximum of three months from receipt of the application form and all relevant information.
- 21. You must not start any work until you have received written confirmation from the Forestry Commission Wales that your application has been successful. Any projects which breach this rule will not be considered for a WEBS II Grant.**
22. Subject to the requirements of the Welsh Assembly Government's Code of Practice on Public Access to Information, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, all information given to the Forestry Commission Wales will be treated in strict confidence. You should be aware that if successful, the Forestry Commission Wales and WEFO reserve the right to publish the name of your company, the amount of grant you were awarded and a summary of your project.
23. You may use a consultant to prepare your application if you wish but the application form must be signed by you and not by the consultant. It is your responsibility to ensure that the application is correctly completed and that the information provided in support of your project is accurate.
24. When you submit your application form, Forestry Commission Wales will write to you acknowledging its receipt. Once it has been assessed there will be three possible outcomes:
- (a) Your project is not eligible for the grant. You will be told as soon as possible.
- (b) Your project is eligible for consideration but is not approved for an award. You will be informed of the reasons why your

- (c) Your project is eligible and is approved for an award. An approval letter will be issued to you setting out the terms and conditions of the award which you will be asked to sign as agreement that you accept the terms and conditions therein. The letter will also provide you with the authority to start work.

CONDITIONS OF AWARD

25. The offer of a WEBS 2 Grant is made subject to terms and conditions, including those set out below. **Failure to meet the terms and conditions of the award could result in the cancellation of your award and/or the recovery of sums already paid, or a reduction of the amount of grant payable.**

- (a) The award is made on the basis of statements made by you or your representatives in the application form and subsequent correspondence. **The making of false statements is an offence.**
- (b) You must not begin any work on the project without first obtaining written authority to do so from Forestry Commission Wales.
- (c) You must meet any legal obligations imposed under EU and UK law.
- (d) No alterations may be made to the project for five years from the completion date, including the location of the activity, without the prior written approval of the Forestry Commission Wales.
- (e) No equipment purchased with grant aid must be disposed of, transferred or sold within five years of the completion date without the prior written consent of the Forestry Commission Wales.

- (f) Claims must be submitted in the correct format and accompanied by all necessary documentation. If not, they will not be accepted and will be returned to the claimant.

- (g) Claims must be submitted in accordance with the timetable set out in the offer letter. You must not deviate from the agreed timing and value of your claims without prior written agreement from the Forestry Commission Wales.

- (h) Projects should be completed within the timetable agreed with Forestry Commission Wales. You should not deviate from this without prior written agreement from Forestry Commission Wales.

- (i) Grant can only be paid on expenditure that has been defrayed, that is, on payments that have cleared from a bank account.

- (j) You must confirm that none of the items covered by the application are replacements under an insurance claim.

- (k) You must provide confirmation of any other public funding (whether from EU or UK sources) which has been sought.

- (l) Any publicity given to the project must make reference to the part played by both the European Union and the with Forestry Commission Wales in funding it.

- (m) Records concerning the activity of the business and the delivery of the project, including all original invoices and other related documents such as competitive tenders or quotes, must be retained until 2021.

- (n) You must allow representatives of the Forestry Commission Wales, the Auditor General for Wales, Audit Commission and the European Court of Auditors to inspect the project. On request, you must

(o) Provide to the Forestry Commission Wales, details of any material litigation, arbitration or administration proceedings issued or threatened against the Business which could have an adverse effect on your ability to comply with any of your obligations under this offer letter.

(p) Comply with the requirements of the Sponsorship, Partnership, Procurement and Grants Guidance , which can be found on WEFO's website.

PAYMENT OF GRANT

26. In some cases the Forestry Commission Wales may be willing to accept interim claims for up to 80% of the value of your award. Claim forms and guidance notes on how to claim will be issued when the award is confirmed. Claims will only be paid when the Forestry Commission Wales is satisfied the relevant expenditure has taken place and that the work has been completed according to plan.

27. Final claims for payment of grant should be submitted as soon as possible after the project is complete, and in no circumstances later than six months after completion of the project.

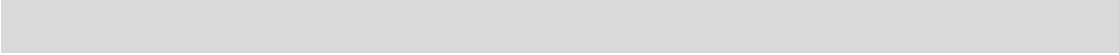
28. On completion of the project, the project site will be visited and a detailed assessment of the project undertaken. The information that will be required at the visit may include original invoices; serial/plant numbers; Building Regulations compliance Certification and Commissioning Certificates.

PROJECT MONITORING

29. Projects will be monitored after completion to ensure compliance with the conditions of the Offer Letter. The project site will be visited at least once within a five-year period following completion of the project and a detailed assessment of the project undertaken.

30. It will be a requirement of the grant award that equipment purchased with the aid of a WEBS Grant, must be kept in situ, operational and in good repair, and used for the same purpose as set out in the original application, for at least five years from the date of completion of the project.

31. You must allow officials from Forestry Commission Wales and the European Commission, or their representatives, to inspect the project at any reasonable time within this five-year period.

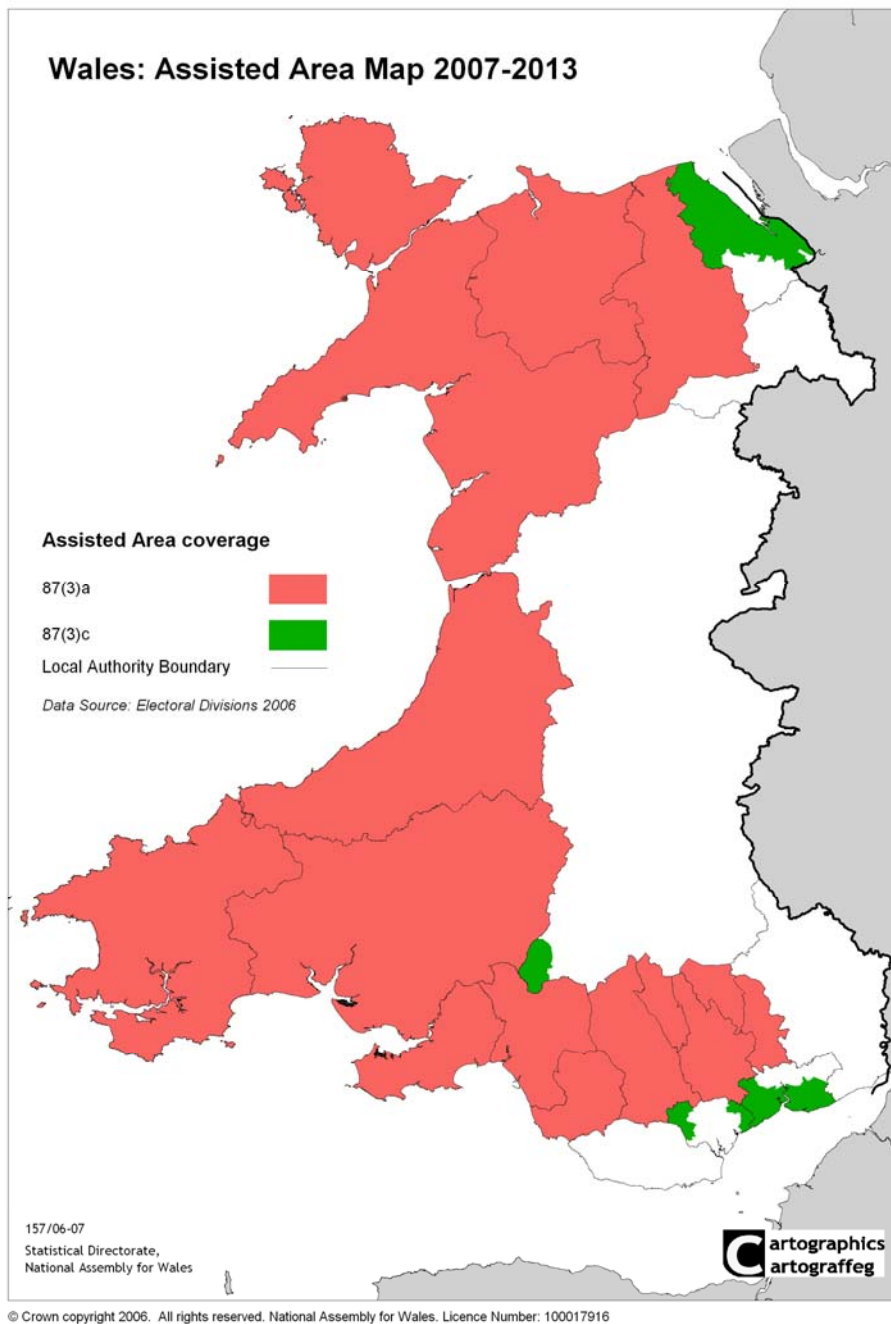


Appendix 1: Assisted Areas 2007-2013³

Convergence: Areas shown in pink

Competitiveness: Areas shown in White and Green

Green areas are only relevant when determining grant levels in Competitiveness areas for larger projects (in excess of €200,000).



³ The UK Assisted Areas for the period 2007-2013 was notified to the Commission and subsequently approved under State aid decision N673/2006.