



Ministry of the  
Environment Finland

# Low-carbon built environment programme

Instructions for applicants and beneficiaries of discretionary government grants

# Contents

1. Objectives of the aid scheme .....	4
2. Duration of the aid scheme and the maximum aid amount .....	6
3. Grounds for the aid scheme and general conditions concerning the beneficiaries .....	7
4. Categories of aid and special conditions concerning aid .....	9
4.1 aid for research and development projects in accordance with Article 25 .....	9
4.1.1 Beneficiaries .....	9
4.1.2 Eligible costs .....	9
4.1.3 Maximum amount of aid .....	11
5. Application procedure .....	12
6. Handling and assessment of applications .....	13
7. Incentive effect of aid .....	14
8. Cumulation of aid .....	15
9. Use of the aid and clawback .....	16
10. Reporting .....	17
10.1 Publication of information on the aid .....	17
10.2 Assessment of the effectiveness of the aid scheme.....	18
10.3 Reporting obligation concerning the projects .....	18
11. Payment and monitoring .....	19
11.1 Invoicing .....	19
11.2 Interruption and clawback of the grant .....	20
12. Publication of the results and proprietary and intellectual property rights .....	21
12.1 Publication of the results and confidentiality .....	21
12.2 Ownership and intellectual property rights.....	21
13. Other terms .....	22
13.1 Use of state aid .....	22
13.3 Changes during the project .....	22
13.2 Communications .....	23

This aid scheme is intended for applicants and recipients of discretionary government grants. The Low-carbon Built Environment aid scheme is based on Commission Regulation 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Official Journal of the European Union L187 26 June 2014, page 1) (hereinafter the General Block Exemption Regulation) in the form which the regulation was amended by Commission Regulation (EU) 2017/1084 (issued on 14 June 2017). Whenever necessary, the Ministry of the Environment may amend and specify the conditions of the aid scheme itself.

The Low-carbon Built Environment Programme can cover grants in accordance with the General Block Exemption Regulation's following articles:

**aid for research and development projects in accordance with Article 25**

experimental development

# 1. Objectives of the aid scheme

The Low-carbon Built Environment Programme contributes to the implementation of the Finnish Sustainable Growth Programme, which is part of the EU's Recovery and Resilience Facility (RRF). RRF funding is intended to support economic recovery after a pandemic while at the same time stimulating the structural renewal of society and the green transition. The objective of the actions supported is to mitigate and adapt to climate change and to find and implement low-carbon solutions in the built environment.

Buildings, construction products and construction comprise an exceptionally important sector when considering how to solve issues related to combating climate change and low carbon activities. Construction and buildings produce about one third of Finland's greenhouse gas emissions. In order for Finland to achieve its national and international climate targets, emissions from the construction sector must also be reduced.

The Low-carbon Built Environment aid scheme mainly consists of a research, development and innovation programme aimed at accelerating the development and deployment of low-carbon solutions (such as operating models, products, materials) in the built environment. The scheme promotes climate change mitigation and adaptation, focusing on research and innovation activities, technology transfer and cooperation between research, business life and municipalities.

The scope of application of the Low-carbon Built Environment Programme aid scheme comprises the built environment and construction, including planning, zoning, permit processes, construction, the design and manufacture of construction products, built heritage, building engineering, real estate management, real estate business and property management, links to infrastructure and energy efficiency, and service providers. The operators behind the projects need not operate in these industries, but the results of the projects must be related to actions in the built environment and construction that promote a low-carbon approach and climate change mitigation and adaptation.

The objective of the aid scheme is to accelerate the introduction of technologies, services and operating models that mitigate climate change and support a low-carbon approach in the construction sector, a change in approaches and an increase in productivity. Projects may be related to, for example, energy efficiency, climate and environmental solutions, new energy solutions or a low-carbon built environment and related digital solutions. The programme supports the acquisition of a knowledge base and evaluation tools supporting climate-friendly and low-carbon solutions in the built environment, including the possibility of investment support under the programme. The aid scheme can support the development of expertise related in the sector with e.g. education and training.

The Low-carbon Built Environment Programme is implemented jointly by the Ministry of the Environment and Business Finland. Financial aid through the instruments of Business Finland is mainly targeted to companies seeking international growth and research organisations that support their development.

Under the support programme of the Ministry of the Environment funding is also granted to national actors and projects that may not necessarily involve any export potential.

Support for the projects is provided in the framework of the Low-carbon Built Environment aid scheme as a discretionary government grant from the Ministry of the Environment.

## 2. Duration of the aid scheme and the maximum aid amount

The aid scheme will be in effect from 16 December 2021 to 31 December 2025.

The aid scheme will implement the Ministry of the Environment's funding application rounds in 2021, 2022 and 2023 during separately defined application periods.

The maximum amount of discretionary government transfers granted by the Ministry of the Environment within the project is EUR 6 million. The final size of the aid scheme will be determined on the basis of the state's annual budgets and Ministry of the Environment policies.

Eligible costs may be incurred until the end of 2024, but payments and reporting can be carried out until 30 June 2025.

# 3. Grounds for the aid scheme and general conditions concerning the beneficiaries

The aid scheme is based on the following supported sectors of the Sustainable Growth Programme for Finland:

- 022, Research and innovation processes, technology transfer between enterprises and cooperation focusing on the low-carbon economy and on the ability to cope with and adapt to climate change.
- 027, Support for enterprises providing services to promote a low-carbon economy and resilience to climate change, including information provision activities

All aid intended for this scheme constitute discretionary government grants

All projects selected for the programme must meet the following basic requirements:

1. The project is particularly important from the perspective of the objectives and entirety of the Low-carbon Built Environment Programme.
2. The implementation of the project requires funding from the Low-carbon Built Environment Programme.
3. This is mainly a RDI project (research, development, innovation).
4. The selection and eligibility conditions of the Do No Significant Harm principle according to the technical guideline 2021/C58/01 are met.
5. State aid rules are met.

Projects that promote the use of fossil fuels are not eligible. Projects covered by the EU Emissions Trading Scheme (ETS) must have estimated greenhouse gas emissions below the benchmark defined as the free allocation condition in Commission Implementing Regulation (EU) 2021/447. Activities related to waste landfills, incinerators and mechanical biological treatment plants and activities where the long-term disposal of waste may cause harm to the environment will not be financed.

The key content of the project is not the sale of a product or service.

The project complies with good practices and applicable legislation.

The Low-carbon Built Environment aid scheme will facilitate both economic and non-economic activities. Economic activity means the activity of an organisation which involves the provision of goods or services in a specific market. The legal form in which the activities are carried out or whether the activities are intended to generate profits are not relevant.

As a rule, transfers to commercial activities are regarded as State aid within the meaning of the EU State aid rules, and they can only be granted when the conditions laid down in the rules are fulfilled. The admissibility of the aid is based on Article 25 of the General Block Exemption Regulation (Commission Regulation (EU) No 651/2014), which lays down provisions on aid for research and development projects, and, in particular, on the provisions on aid for research and development projects and experimental development.

Experimental developments (defined in Article 2, definition 86 of the Block Exemption regulation) means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new and improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services.

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set.

EU State aid rules do not apply to non-economic activities.



# 4. Categories of aid and special conditions concerning aid

## 4.1 aid for research and development projects in accordance with Article 25

### 4.1.1 Beneficiaries

Aid may be granted to an operator who has a business ID, whose obligations, such as taxes and payments, have been properly paid and who carries out a project under the Low-carbon Built Environment aid scheme.

A joint project with multiple actors must have one applicant to whom the Ministry of the Environment will direct the aid decision. The beneficiary is responsible for the project on behalf of all parties to the consortium and ensures that the members of the consortium have agreed on the implementation of the project in a sufficient manner. The composition, responsibilities and share of funding of the consortium must be described in the application.

Aid cannot be granted to an undertaking experiencing financial difficulties (as specified in Article 1(4)(c) and Article 2, definition 18 of the Block Exemption Regulation). Aid cannot be paid to a business which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market (Article 1(4)(a) of the Block Exemption Regulation).

### 4.1.2 Eligible costs

Eligible costs include all the costs necessary for the implementation of the project and the expenses that the project is subject to during its implementation period. Costs which are necessary and reasonable in view of the development work and which can be allocated to the project in accounting are considered eligible.

Costs eligible for funding that are in accordance with the application and have arisen after this grant decision entered into force will be accepted as project costs.

The eligible costs of the projects shall be broken down and reported according to the following categories of research and development:

- personnel costs: researchers, technicians and other supporting staff to the extent they are employed by the project;
- costs of instruments and equipment to the extent and for the period used in the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered eligible;
- costs of buildings and land areas to the extent and for the period used by the project. For buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles, are considered eligible. For land areas, the costs of assignment carried out on business terms, or the capital expenditure realised, are considered eligible;
- costs of contractual research, knowledge and patents purchased or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
- additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project.

In order to have salary costs approved as project costs, the applicant must provide a record of the personnel's working hours, unless the person works exclusively on the project in question.

The auditor's fee related to the project is an eligible cost for the applicant. One of the auditors must be an auditor or auditing firm approved by the Central Chamber of Commerce (a KHT auditor) or by the local Chamber of Commerce (an JHTT auditor) or selected by the Finnish Board for Chartered Public Finance Auditors (a HTM auditor).

As a rule, aid is granted only for project costs that do not include VAT, which means that, as a rule, the granted aid sum does not include VAT. If the VAT remains to be paid as a final cost by the transfer recipient, VAT may be considered an eligible cost. The applicant must state their own VAT practice in the application form.

Eligible costs do not include costs associated with the beneficiary's routine operations, basic investments and acquisition of standard machinery or equipment, profit, loss or other provision of the beneficiary, entertainment, scholarships, advertising and marketing, gifts or financial calculations.

#### **4.1.3 Maximum amount of aid**

Under the Low-carbon Built Environment aid scheme, the maximum support level for projects is 40% of eligible costs.

Aid granted to individual projects is, in its entirety, aid for experimental development with an aid intensity of 25%.

The aid intensity for experimental development can be increased:

- a) by 15 percentage points if the project results are widely disseminated at conferences, in publications, in open data archives or through free or open source software OR
- b) by 10 percentage points for medium-sized enterprises OR
- c) by 15 percentage points for small enterprises

For example, if the project involves product development or piloting for the purpose of creating a commercial application, and the developer does not want to publish the results because of this, the criteria for the 15% increase are not met.

Small and medium-sized enterprise means an enterprise defined in Annex I of the General Block Exemption Regulation.

# 5. Application procedure

The scheme includes open application rounds that will be advertised on the Ministry of the Environment website ([www.ym.fi](http://www.ym.fi)). Each application round is open for 1-2 months. To apply for aid from the Ministry of the Environment fill in an electronic application form. The applicant must provide at least the following information on the form:

Applicant's information:

- Name and contact details and contact persons
- Business ID
- An affirmation by the applicant and/or the enterprise confirming that it is not in financial difficulty, as specified in Article 2(18) of the General Block Exemption Regulation. The Ministry of the Environment has the right to verify this on the basis of the enterprise's financial statements.
- An affirmation by the applicant and/or the enterprise confirming that it is not subject to an outstanding recovery order (Article 1, section 4 a of the General Block Exemption Regulation) following a previous Commission decision declaring an aid which is illegal and incompatible with the internal market.
- Information on the applicant's VAT practice

Information on the project:

- Project name in Finnish and English
- Target outcome and integration with the objectives of the Low-Carbon Built Environment aid scheme
- Implementation plan and technical specification, or a description of the activities for which aid is sought
- Participants; partners
- Cost estimate and its division into different tasks
- Itemisation of overhead costs and a description of their allocation to the project
- Funding plan and the amount of aid applied for
- Plan for the monitoring and assessment of the project, including the way in which the project's impacts on carbon dioxide emissions in the real estate and construction sector are assessed and the ability to cope with and adapt to climate change
- Publication and utilisation plan for the results
- Implementation schedule

A free-form project implementation plan must be prepared as an appendix to the application.

# 6. Handling and assessment of applications

The Ministry of the Environment will assess the project applications and make decisions on discretionary government grants related to the aid. The Ministry of the Environment may request an independent assessment of the project plan by an external party. The assessment is confidential and the ministry requires the assessors affirm confidentiality.

When deciding on projects, the applicant must meet the conditions for beneficiaries described in section 4. An application will be rejected if the project application is incomplete, the application does not correspond to the theme or terms of the application or otherwise significantly deviates from the application instructions, or a document required for the application is missing completely. Applications submitted after the application period end date will not be considered. The applicant may submit the application again during the next application round

The aid granted is discretionary. The assessment and comparison of applications will be based on an overall assessment taking into account the following criteria:

A. Feasibility:

The project can be implemented as planned, within the schedule and with the resources available.

B. Impact, scalability:

The project relates to a challenge that is central to the realisation of a low-carbon built environment. Good practices can be scaled for as many other actors as possible.

C. Availability, openness:

The results of the project are also available and open to other actors.

D. Innovation, creativity:

The project or a solution presented within the project is new and special or implemented in a novel way.

# 7. Incentive effect of aid

A prerequisite for granting aid is that the aid has an incentive effect on the enterprise's activities. Because the objective is to support new solutions, operating models and practices, aid can only be granted for new projects.

The applicant accepts the terms and conditions of the discretionary grant decision at the time they apply for the grant.

# 8. Cumulation of aid

## **Financial aid projects**

Where the beneficiary has been granted discretionary government grants for activities under this programme, the total aid intensity of the other aid and the aid granted under this scheme for the same eligible costs shall not exceed the maximum aid intensity defined in point 4 of the scheme in accordance with the provisions of Article 8 of the General Block Exemption Regulation.

The applicant must verify that the aid for the beneficiary's project does not exceed the aid levels of the Block Exemption Regulation.

## **Non-economic aid projects**

Part of the funding may also consist of other public support in the case of non-economic activities. However, under section 6 of the Act on Discretionary Government Transfers (688/2001), a discretionary government transfer may not, together with other public subsidies, may not exceed the full amount of the total costs incurred from the activity or project in question.

# 9. Use of the aid and clawback

The authority responsible for discretionary government grants is the Ministry of the Environment. The awarding and use of discretionary government grants are governed by the Act on Discretionary Government Transfers (688/2001) and the provisions on the grounds, requirements, procedures and supervision laid down under it. The aid awarded may only be used for purposes defined in this scheme and in the aid decision. The Ministry of the Environment may order that the payment of the aid be suspended and any aid paid be recovered. The clawback of aid takes place as provided in the Act on Discretionary Government Transfers.



# 10. Reporting

The Ministry of the Environment reports annually to the EU Commission on the implementation of its Low-carbon Construction Programme in accordance with Article 11 of the General Block Exemption Regulation.

The Ministry of the Environment will report to the EU on the aid scheme, as required by the Commission Regulation on the EU Recovery Instrument and in accordance with the future national Implementation Act.

At the start of the project, the beneficiary must submit a description of the project, for export to a joint website designated by the programme and submit a final report before invoicing the final payment instalment of the project.

## 10.1 Publication of information on the aid

The Ministry of the Environment publishes information on the aid scheme in accordance with Article 9 of the General Block Exemption Regulation. For individual aid totalling more than EUR 500,000, the Ministry of the Environment publishes the information required by Article 9 of the General Block Exemption Regulation every six months on a website maintained by the Commission for this purpose:

<https://webgate.ec.europa.eu/competition/transparency/public/search/home>:

- Beneficiary's name
- Beneficiary's identifier
- Type of enterprise (SME/large) at the time of granting
- Region in which the beneficiary is located, at NUTS level II
- Sector of activity at NACE group level
- Aid element, expressed as the full amount in national currency
- Aid instrument (grant)
- Date of granting
- Objective of the aid
- Granting authority
- For schemes under Article 21, name of the entrusted entity, and the names of the selected financial intermediaries
- Reference of the aid measure

All information on projects supported by the Low-carbon Built Environment Programme is public. The publicity of the results of the projects is determined on the basis of the aid intensity referred to in section 4.1.3.

## 10.2 Assessment of the effectiveness of the aid scheme

The Ministry of the Environment assesses the effectiveness of the aid scheme and the projects supported in it and their results in relation to the objectives of the Low-carbon Built Environment Programme. Assessment data produced by project implementers will be used in the assessment.

At the completion of the programme, an external assessment of the programme will be prepared, which will assess, such things as:

- How comprehensively have the programme's projects been linked to different aspects of the low-carbon built environment?
- Are there any themes that are central to a low-carbon approach and climate change adaptation outside the scope of the supported projects?
- Has the programme contributed to the creation of new partnerships and innovations?
- Has the programme contributed to the development of business activities related to the programme topic?
- How has the programme contributed to carbon dioxide emissions in the real estate and construction sector, and what is its ability to cope with and adapt to climate change?

## 10.3 Reporting obligation concerning the projects

The beneficiary undertakes to report on the project at the time of payments; in an interim report and, at the end of the project, in a final report. Interim reporting is done only if the project lasts one year or longer. Reporting is carried out on a report template prepared by the aid provider. The project should assess, for example, the project's impacts on carbon dioxide emissions from the real estate and construction sector and its ability to cope with and adapt to climate change.

The costs must be presented in clear, itemised and up-to-date documents, including taxes and other payments. The costs are separated in a payment application. The project supervisor appointed by the Ministry of the Environment has the right to receive information on the progress of the project and to issue instructions on how to carry it out. The Ministry of the Environment, or a party appointed by the Ministry, has the right to audit the accounts and other material of the project, insofar as deemed appropriate.

The beneficiary must keep accounting records of the costs in such a way that the costs of the activities covered by the aid can be clearly separated from the costs of the beneficiary's other activities. The accounting records must be kept in accordance with the Accounting Act (1336/1997) and must be based on supporting documents and receipts. The beneficiary must keep all documents and receipts for activities related to the aid in such a way that they can be examined without difficulty. Accounting and its related materials must be stored in accordance with the provisions laid down in Chapter 2, sections 9 and 10 of the Accounting Act (1336/1997). The accounting condition applies to all beneficiaries. The beneficiary is obliged to present without compensation all necessary account documents and other documents to clarify the use of the funding.

Upon request, the beneficiary must provide the Ministry of the Environment with all information concerning the project and its utilisation.

# 11. Payment and monitoring

As a rule, aid is granted and paid in one instalment. Aid for projects lasting one year or longer may be paid in two instalments. If the aid is paid in more than one instalment, the beneficiary must file an interim report indicating that the operations and financial matters of the project are progressing as planned.

The final instalment shall be paid once the aid provider has received and approved the project's final report.

The payment of the last instalment of the aid by the Ministry of the Environment requires an auditor's statement, which must verify that:

- The cost items mentioned in the statement of expenditure have been paid and are based on approved supporting receipts in the beneficiary's accounting
- The payment application has been prepared in accordance with the Ministry of the Environment's terms and conditions for a decision, and no funding has been received for the same payments from elsewhere
- The statement of expenditure comprises only cost items which are eligible costs, in accordance with the approved project implementation plan, and those belonging to the project receiving aid.
- The income of the supported project and the other funding of the implementer's costs are recorded in the beneficiary's accounting records and reported in the payment applications.

## 11.1 Invoicing

The payment application and interim or final report are sent to the registry of the Ministry of the Environment under the name of the supervisor for approval. In connection with the final report, the recipient of a discretionary government grant must submit a cost statement for the entire project with an external auditor's statement to the Ministry of the Environment.

The Ministry of the Environment approves the payment application and issues an invoicing permit. The invoices are sent to the Ministry of the Environment's e-invoicing address indicated in the decision on the discretionary government grant.

## 11.2 Interruption and clawback of the grant

The Ministry of the Environment may interrupt the funding of a project if such changes have taken place in the objectives, progress, circumstances or personnel that the payment of the aid can no longer be considered appropriate or in accordance with the project application. The Ministry of the Environment will immediately interrupt funding if the beneficiary violates the terms of the decision in a fundamental manner (for example, the requested reports are not submitted), or if incorrect information has been presented to obtain the aid, or if relevant information is concealed that could have affected the granting of the aid or its conditions. If the Ministry interrupts funding, the recipient of the aid must, at the request of the ministry, be obliged to refund part or all of the aid received on the basis of the decision. The Ministry of the Environment may claw back the aid in whole or in part if the auditor's statement or the audit carried out by the Ministry of the Environment reveals that the use of the aid has violated the terms of the appropriation decision. The provisions laid down in the Act on Discretionary Government Transfers (688/2001) will apply to the clawback of paid aid.

# 12. Publication of the results and proprietary and intellectual property rights

## 12.1 Publication of the results and confidentiality

The impact of projects is created through the efficient and extensive utilisation of their results. Basic information on a project is public after a decision has been made. The results of the project and the final report are public and also available for utilisation by other parties after the end of the project. If necessary, the award decision defines confidential result material separately. The project application must clearly indicate any confidential information. The aid intensity referred to in section 4.1.3. has an impact on the publicity of the project results.

The beneficiary must submit export a description of the project to a joint website designated by the programme when the programme begins as well as submit a final report before invoicing the final payment instalment of the project. The report published on the website will not include detailed financial reporting or confidential content, such as business and professional secrets. The itemisation of costs and any confidential content that may exist are provided as separate attachments to the final report.

## 12.2 Ownership and intellectual property rights

The ownership and intellectual property rights for project results, such as copyright, will remain with the project implementer. However, the Ministry of the Environment has a permanent right to use, make available to the public and make copies of the results, with the exception of trade secrets. The impact of the publicity of the results on the aid intensity is described in section 4.1.3.

# 13. Other terms

## 13.1 Use of state aid

State aid may only be used to cover reasonable costs that are necessary for implementing the project, as specified in the application or required by the Ministry of the Environment when granting the aid. The party implementing the project must operate and manage its finances in an appropriately economical manner. Direct administrative costs incurred in the project and the share of the applicant's general administrative costs that can be allocated to the project in accounting are eligible as administrative costs.

The project implementer may procure part of the work or supply /material deliveries required by the project from third parties. If more than 50% of the costs of subcontracting are paid for by the Ministry of the Environment, the recipient must comply with the Act on Public Procurement and Concession Contracts (1397/2016). If the Ministry of the Environment so requests, a report on the implementation of the procurement and a contract concerning subcontracting must be submitted. If a public contracting entity has made a procurement exceeding the aforementioned range in violation of the procurement regulations, the procurement price is not an acceptable cost for the project.

## 13.3 Changes during the project

If the project plan (project application and its appendices) or budget changes in that the recipient wishes to use the aid for a purpose other than that for which it was originally granted in the Low-carbon Built Environment aid scheme, the applicant must apply in writing for permission from the ministry to change the intended use. The change application must be submitted before starting the operations subject to the change. Email can be regarded as a written procedure, and the applicant must save the relevant emails and append them as a reference to the report on the use of funds if the change is realised at the level of using funds. Changes that require permission include all changes where the project's key objectives, operations or number of personnel change, or which cause a change on the budget lines of at least 15%.

If the project's timetable changes, the applicant must apply for an extension from the Ministry of the Environment in writing.

## **13.2 Communications**

The project to be funded must provide communication on the progress and results of the work in its own communication channels and as part of the communication of the Low-carbon Built Environment Programme. The project's communications must mention that it is implementing the Low-carbon Built Environment Programme, the funding of which comes from the EU's one-off recovery instrument. The Next Generation EU ID must be used for communication. The more detailed Ministry of the Environment communications instructions for the application programme will be attached to the funding decision.



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