Inside the Climate-KIC

A practical guide to the realm of TLAs

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Introduction

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2008 Founder
2010–2012 member of Governing Board, Climate-KIC

2012 – Deputy Director Climate-KIC UK CLC

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Outline – a practical guide to KICs

Where should we spend more time?

| Assume fundamental knowledge about EIT and KICs | 3 slides |
| Focus on how a KIC works |  |
| • Bidding and Business Planning | 2 slides |
| • The funding model (KAVA, KCA, 1:3 funding ratio) | 7 slides |
| • Legal framework (LE, GA) | 1 slide |
| • Organisation | 2 slides |
| • Operational model – pillars, platforms, strategy | 3 slides |

| Value proposition for partners across sectors | 7 slides |
| • Integrating education, entrepreneurship and innovation | |
| • Sparking, fostering and developing innovation and | |
| • Creating business | |

Backup slides: Showcase of activities funded with the EIT grant
EIT Climate-KIC

THE SINGLE LARGEST PPP FOR CLIMATE CHANGE INNOVATION

Vision - Providing the people, products and leadership to address the challenge of global climate change

Mission - Creating opportunities for innovators to address climate change and shape the world’s next economy
We form a network of +200 partners across Europe
We come together at 6 Co-locations
We reach out right across Europe via our Regional Innovation & Implementation Centres (RIC)
We are run like a business – CEO, Executive Team, Governing Board, Assembly
We identify and respond to the challenges of Climate Change
Our activities cross boundaries: discipline, sector, geography

Europe’s engine for innovation in climate change mitigation and adaptation
A world-class community of partner institutions that educates climate innovators, supports good business ideas, and develops valuable products, services and markets that address climate change.
Our innovation domain - a conscious extension of the knowledge triangle
When, where and how money flows

Cycle of bidding and business planning

Initial bid – business plan 2015 with 7 year horizon (consultant?)
Annual cycle of BPxxxx and funding cycle
First year cca €4M

Climate KIC historical funding: Steep ramp up – prefinance becomes ever more critical

2010 – zero
2011 – 6M
2012 – 27M
2013 – 44.5M
2014 – 75M
2015 – <100M

Funding is not straightforward
Annual cycles

**Year x**
- Year x start
- BPx+1 presented at EIT after 1st draft December
- Final settlement of funding from year x-1 July-Oct
- Report on year x-1 Jan-March

**Year x+1**
- Year X+1 start
- BPx+2 presented at EIT after 1st draft revision December
- BPx+2 July-Oct
- Prefinance for year x April
- Final settlement from year x April-October

Bottom line: significant prefinance need – get rich partners on board
KIC Funding Model

KIC Activities

KAVA

KIC added value activities
(Defined in art 6.2 of the FPA. Costs that meet the criteria of art 7.1-7.3 of the GA are eligible for EIT funding)

eligible costs of KIC added value activities
financed through EIT Grant

EIT funding

EIT funding (25%)

Non-EIT funding categories available to KIC Partners:
- KIC Partners’ own resources
- EU-non EIT funding (Only for complementary activities)
- National/Regional funding
- Private (e.g. donations)
- Other funding

KCA

KIC complementary activities
(defined as all KIC activities (defined in art 4 of the FPA) that are not KIC added value Activities)

Costs of Complementary KIC activities
(by definition financed through KIC Partner own resources or other forms of co-funding)

Complementary-funding

Non-EIT funding (75%)
Definitions - KAVA

KIC Added Value Activities

**KAVA definition:** “carried out by the KIC LE and/or KIC partners, or by them in co-operation with other entities, that within the priority areas of the KIC stimulate innovation“ (FPA article 6.2.)

Translation: a KIC funded project, start-up, education

Eligible for **up to 100%** KIC funding

**Translation into project language:** The total costs of KIC added value activities for a certain KIC project are the costs which relate to the actual work undertaken in the project to produce tangible innovative outputs:
- **EIT-KIC funding:** The costs for which KIC funding is requested

**Co-funding:** The costs which the KIC partner itself contributes in cash or in kind

**Reporting requirements:** Audit reports from the KIC partners will be required for all KIC added value activities if the total Climate-KIC funding to that partner is >€60k
KIC Complementary Activities

Definition: Complementary-funding is the funding of complementary activities (research, education, etc.), which provide the knowledge base and supporting competences to enable a KIC project. These complementary activities should be linked as closely as possible to KAVA.

Complementary-funding is classified in the following categories:

- EU (non-KIC) funding acquired by KIC Partners (as well as own co-funding to these)
- National/Regional funding acquired by KIC Partners (think convergence regions)
- Private (e.g. donations) acquired by KIC partners
- Other funding acquired by KIC Partners

Translation into project language: KCA are not activities that a KIC project conducts to produce tangible innovation output, rather the knowledge base and supporting competences that the Climate-KIC project builds on.

Reporting requirements: As a general rule, EIT will not audit complementary activities. EIT will nevertheless have ex-post audit rights to assess the correctness of the reported complementary activities.
Why KCA is important

BP input
CLCs and partners add up KCA for BP input
- Assumes competition within KIC
- KCA a measure of success in attracting funding
- Possibility to pool KCAs on CLC or KIC level

KCA claims for BP CY only
Demonstrates the ability of KIC partners to attract external/leverage funding, i.e. financial sustainability over mid- to long term

Reporting
KCA claimed in BP needs to be verified and reported the following year

Year X+1 start
BVx+2 approved January
Reporting year x begins Jan-March
BPx+2 presented at EIT after 1st draft revision December
BPx+2 July-Oct
Prefinance for year x April
Final settlement from year x April-October
1:3 Funding ratio

**Required funding ratios at the project level**

**25 / 75% rule:** In principle the projects should strive to achieve at least the same funding ratio as the KIC

25% EIT-KIC funding

75% non-KIC funding which is constituted by the following two sources of funds:

- **Co-funding:** Project partners should contribute own co-funding to the project because the KIC needs to increasingly demonstrate that fresh partner contributions are leveraged
- **Complementary funding:** The remaining part of the 75% should be brought to the project from the funding sources explained above

Exceptions to the rule: While complementary activities should ideally be linked as closely as possible to specific projects, it might be possible to bring in pooled complementary funding on a partner level in order to complete the 75%
How this works in real life

<table>
<thead>
<tr>
<th>Project Name</th>
<th>SUSPORTS – Delivering sustainable energy solutions for ports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge Platform(s)</td>
<td>Sustainable City Systems; Making Transitions Happen</td>
</tr>
<tr>
<td>Expected project duration</td>
<td>01/09/2013 to 31/08/2016</td>
</tr>
<tr>
<td>Lead partner (institution)</td>
<td>CRESS Ltd., UK</td>
</tr>
<tr>
<td>Project lead (name, mail)</td>
<td>RM</td>
</tr>
<tr>
<td>Project type</td>
<td>Innovation</td>
</tr>
<tr>
<td>Total EIT request Euro (a)</td>
<td>€2,1M</td>
</tr>
<tr>
<td>Own Co-funding Euro (b)</td>
<td>€10,4M</td>
</tr>
<tr>
<td>Total KAVA Euro (a)+(b)</td>
<td>€12,5M</td>
</tr>
<tr>
<td>Complementary funding</td>
<td>€3,4M</td>
</tr>
</tbody>
</table>
Contributions by KIC complementary activities (undertaken by KIC partners) to KIC added value activities

Eligible costs of KIC value added activities financed through co-funding by KIC Partners

Contributions by KIC complementary activities (undertaken by KIC partners) to KIC added value activities

Climate-KIC funding

Total Climate-KIC funding (25%)

Total complementary & co-funding (75%)

*Complementary-funding categories:
- Non-KIC EU funding acquired by KIC Partners (as well as own co-funding to these)
- National/Regional funding acquired by KIC Partners
- Private (e.g. donations) acquired by KIC partners
- Other funding acquired by KIC Partners
Legal framework

Legal Entity – registered in any EU member state (Foundation, Association, LLC)
LE – in contractual relationship with EIT – AGA, MFA
LE – in contractual relationship with ALL partners – PGA

CLC – Innovation hub, usually in a centre of academic excellence, core partner

Core partner – full liability
Affiliate partner – liability limited to funds received from EIT
Supporting partner

To fee or not to fee?
Organisation

- Assembly – all partners (SMEs have joint reps), meets twice a year
- GB – core partners, bi-monthly
- ExecTeam, CEO, CFO, CCO, COO, CLC Directors, Pillar Directors, monthly
- CLCs – organogram, partnership strategy, optimal radius
- Partners – various motivation, frogs and princes, freeriders, overhead costs
Operational model

Pillars
- Education
- Entrepreneurship
- Innovation

Platforms
- 8 Challenge Platforms set up in 2012
- Develop strategic challenges
- Build portfolio of projects to address challenges

Innovation Pipeline
- Integrates pillars
- Delivers innovation scoreboard KPIs
Three Pillars

**Education**
- EIT labelled PhD
- Masters
- theJourney
- Professional Education
- Alumni

Outcomes
- 13 Journeys
- 36 graduates
- 96+80 new PhD students
- 150 new MS students

**Entrepreneurship**
- Stage 1-3 support
- Incubation
- Master classes
- Venture competitions
- SME vouchers

Outcomes
- High-growth climate start-ups
- Access to international markets
- Secured VC funding

**Innovation**
- Pathfinder
- Innovation projects
- Challenge platforms
- Robust project assessment process

Outcomes
- Jobs
- Products/services
- Demonstrators
- Publications
- KT's
- Portfolio of over 50 projects in pipeline
Climate-KIC
Open Innovation Pipeline

Inputs to pipeline from Climate-KIC community:
- Technical know-how
- Market insight
- Policy influence
- Socio-technical insight
- Idea creation
- Skills
- Facilities
- Education

- Skills & training innovation
- Patents
- Support for translation to market
- New businesses
- Trained people & tested innovations into existing business
- Competitive SME entry into incubation
- Trained people into pipeline activity
- Business acceleration support

Climate-KIC
Our value proposition to partners

Partners access an integrated community with global outreach that intelligently links together a wide portfolio of key innovation actors
A Model and a Metaphor

Forging Links in the Value Chain

Strategic Partner A
Climate-KIC Spin-Off company
Strategic Partner B
Downstream customers
Climate-KIC
Innovation push – Naked Energy

Smart PVT technology

- Hybrid solar panel providing electricity and hot water
- Combined Photovoltaic and thermal energy system
- PV inside evacuated tube with water flowing though (Thermosyphon)
- PV provides electricity
- Water keeps PV at optimal temperature and provides source of hot water
Innovation pull - Sainsbury’s

Aiming to be the UK’s greenest grocer

- Strategy encompassing operations, products and customers
- Reduced carbon footprint of stores
- Carbon neutral products at low prices
- Want innovators to work with Sainsbury’s and their suppliers, e.g. farmers (sheltered innovation)
- Will also offer stores as a test bed
- Student masters and PhD projects
- Large cascade effect via suppliers
- Model for other businesses
Linking push with pull

Benefits of a linked innovation ecosystem

Opportunity to shape
Latest Technology
5 year payback
Strategic contribution
Climate impact

Pilot contract
1,000 store opportunity
R&D Expertise
Access to funding
Increased awareness

Interaction facilitation
Opportunity to create
Research work
PhD projects
Access to pilot opportunities
A dynamic connected community

A case study on how Climate-KIC connects ideas, people and partners across Europe and supports innovative solutions to climate change.

Climate-KICs role has been to identify opportunities, to match make and to open doors for us. It’s like ‘sheltered innovation’. Quite simply, our relationship with Climate-KIC allows us to sit at the table with the big players.

Christophe Williams
Managing Director, Naked Energy

We know the UK. But there must be brilliant ideas out there we don’t know about and Climate-KIC can bring these to us. We want to get involved at the embryonic stage in order to help shape the technology in a commercially meaningful way.

David Penfold
Sainsbury’s Supermarkets Ltd
Our value proposition to partners

The offerings:

An open innovation community
• Reduced risk
• Early knowledge
• Entrepreneurship support

Privileged access to world leading expertise and talent
• Expert knowledge - One-stop entry to international world-class interdisciplinary expertise
• Top talent – Visibility with international pool of young talent and ability to align student research work and professional experience with business and public needs.
• Employee development – Open innovation and entrepreneurial skills development and network building for employees at all levels.

Influence and reputation
• Policy influence – national and EU to reshape the market
• Research influence – provide direction for EU RD+I strategy
• Public recognition
A networked Community
- Long-term, stable, portfolio of partners across 4 sectors
- 11 hubs of connectivity across 10 European countries
- Innovation push connected with demand pull
- Sheltered innovation

The innovation pipeline
- Innovation, Entrepreneurship and Education Pillars – toolkit
- Create climate entrepreneurs
- Catalyse innovation – products, services, culture
- Market identification and acceleration

8 Platforms
- Focussed cross-KIC innovation communities
- Demand-side, challenge driven
- Integration of innovation, entrepreneurship and education
- E.g. Built environment; Making transitions happen

5 CLC
- Focus for innovation
- Centre of knowledge
- Launch pads, landing pads

6 Regions
- Market demand
- Test beds and implementation

Providing the people, products and leadership to address the challenge of global climate change
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BACKUP SLIDES
A fair system for all EU regions
(eligibility simulation)

3 categories of regions
- Less developed regions
- Transition regions
- More developed regions

GDP/capita*
- < 75 % of EU average
- 75-90 %
- > 90 %

*index EU27=100

Regional GDP figures: 2006-07-08
© EuroGeographics Association for the administrative boundaries
How will funding be allocated?

<table>
<thead>
<tr>
<th>Region</th>
<th>Budget allocation (in %)</th>
<th>Population covered (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohesion Fund¹</td>
<td>68.7</td>
<td>307.1</td>
</tr>
<tr>
<td>Less developed regions</td>
<td>15,8%</td>
<td>119.2</td>
</tr>
<tr>
<td>Transition regions</td>
<td>11,6%</td>
<td>72.4</td>
</tr>
<tr>
<td>More developed regions</td>
<td>68,7%</td>
<td>119.2</td>
</tr>
<tr>
<td>European Territorial Cooperation</td>
<td>11.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Outermost regions and sparsely populated areas</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>336.0</td>
<td></td>
</tr>
</tbody>
</table>

¹ €10 billion from the Cohesion Fund will be allocated to the Connecting Europe Facility
There is nothing comparable to Climate-KIC... it is unique.

I was hoping to learn about business, climate change and entrepreneurship, and all these expectations have been surpassed.

It was also incredible to meet other people with enormous amounts of passion for climate change, with already formed business ideas.

I had never anticipated that what we learnt about business plans and entrepreneurship could change my view on my possibilities for actually starting a company that profoundly.

There is no other opportunity like this.

I have a clear direction of what I can do to contribute towards combating climate change, and as an entrepreneur I feel confident that I can be successful at it.