

Bio-energy Infrastructure Scheme

Explanatory Booklet



The basics

What is the scheme about?

The Scheme provides grants to help the development of the supply chain required to harvest, store, process and supply biomass to heat, combined heat and power, and electricity end-users.

Eligible biomass

- Short rotation coppice (willow or poplar)
- Miscanthus
- Switch grass, reed canary grass, prairie cord grass, rye grass
- Straw
- Woodfuel from forestry, arboricultural tree management and primary processing
- Other energy crops at Defra's discretion

Biomass excluded from the scheme

- Wood arising from secondary processing and any wood that has been chemically treated or painted
- Oilseed rape to be used to produce heat and electricity
- Biomass for processing into transport fuels
- Animal waste products (e.g. poultry litter, sewage etc)

Who can apply under the scheme?

- Producer groups
- Businesses

Funding available

- Up to 100% for training costs
- Up to 40% for specialist machinery and additional storage and hard-standing
- A sliding scale for administrative set-up costs for producer groups of up to 100% in the first year, 80% in the second year and 60% in the third year
- Maximum of £200,000 per group or business

The main rules

- UK-wide scheme, administered by Defra for the whole of the UK
- The group or business must supply eligible biomass for an energy end use
- The distance between the source of the biomass and the end use must be reasonable
- Producer group and business must be legally established before, or shortly after, approval
- 5 year agreement with Defra.

Bio-energy Infrastructure Scheme

Explanatory Booklet

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Introduction

This guide provides information about the grants available under the Bio-energy Infrastructure Scheme. It will also help you prepare and submit an application for grant aid. You should note that the information contained in this booklet is not exhaustive and should only be taken as a guide.

Applicants are strongly advised not to commit themselves to any expenditure on which grant aid may be sought until their application has been approved by Defra and an Offer Letter has been issued by Defra (see section 4), and has been signed by the applicants and returned to Defra.

Please read all the information in this booklet very carefully before completing an application.

What is the Bio-energy Infrastructure Scheme?

The Bio-energy Infrastructure Scheme is a UK-wide (England, Wales, Scotland and Northern Ireland) scheme with total funding of £3.5m. The Scheme provides grants to producer groups and businesses to help the development of the supply chain required to harvest, store, process and supply certain biomass to heat, combined heat and power, and electricity end-users.

The Scheme is entirely UK-funded and was developed in partnership with the National Assembly for Wales Department for Environment, Planning and Countryside, the Scottish Executive Rural Affairs Department, the Department of Agriculture and Rural Development Northern Ireland and the Forestry Commission. The scheme is administered for the whole of the UK by the Department for Environment, Food and Rural Affairs (Defra).

What are the scheme's objectives?

- To increase renewable energy generation, thereby helping to reduce greenhouse gas emissions;
- To contribute to sustainable development, rural job creation and agricultural diversification;
- To plug the gap in the existing support for the development of bio-energy.

Section 1

What is the scheme's legal basis?

The scheme operates under the Environmental Protection Act 1990, as amended.

Where can I get further information?

Defra's Crops for Energy Branch administers applications for the whole of the UK. If, after reading this booklet, you need further information about the Scheme contact them at:

Crops for Energy Branch, Area 5A
Department for Environment, Food and Rural Affairs
Ergon House
Horseferry Road
London
SW1P 2AL

Tel: 020 7238 6244

Fax: 020 7238 6166

E-mail: industrialcrops@defra.gsi.gov.uk

Website: www.defra.gov.uk/industrialcrops

Advice concerning energy crops may be available from trade associations and independent consultants (see Annex E for contact details). You should consider carefully the financial implications of setting up a producer group or business.

Eligibility

What energy end-uses are eligible?

Eligible biomass (as defined below) must be used for the generation of one or more of the following:

- heat;
- combined heat and power (CHP);
- electricity.

The scheme does **not** cover the processing of biomass into transport biofuels.

Which types of biomass are eligible for funding?

The following types of biomass, for energy end-use, are eligible for support:

- energy crops, that is, a crop planted and grown primarily for the purpose of being used as a fuel. This will include:
 - short rotation coppice using willow or poplar;
 - miscanthus;
 - switch grass, reed canary grass, prairie cord grass and rye grass;
 - other energy crops at the discretion of Defra (but see exclusions below);
- straw;
- woodfuel, that is, woodfuel derived from any part of a tree as a result of:
 - forestry operations or arboricultural tree management operations; and
 - primary processing, including saw milling. This may be in the form of offcuts, slabwood, bark, chips and sawdust, provided they are not chemically treated.

More than one type of eligible biomass may be covered by each application for grant aid.

What types of biomass are ineligible?

The scheme does **not** cover:

- wood arising from secondary processing, such as furniture-making;
- any wood that has been chemically treated or painted;
- animal waste products such as poultry litter, sewage etc;
- oilseed rape to be used to produce heat and/or electricity. This is ineligible as the skills and equipment needed to harvest, process, store and supply the crop are the same as those needed for non-energy uses (i.e. it does not require specialist skills and equipment); and
- biomass grown for processing into transport biofuels.

Who is eligible to apply?

Eligible applicants are:

- producer groups being set up to supply eligible biomass (but not short rotation coppice producer groups in England, which are funded under Defra's Energy Crops Scheme – see Annex B for further information);
- new businesses being set up to supply eligible biomass; and
- established businesses diversifying into supplying eligible biomass for the first time or diversifying into a different type of eligible biomass.

What is an eligible producer group?

A producer group is a legally established group of growers which is set up for the purpose of jointly adapting the production and output of its members to market requirements, particularly by concentrating supply. Members will work together to harvest eligible biomass and to supply it, after processing and storage if necessary, to one or more energy end-users.

A group must be made up of two or more people or organisations, all of whom must be growers of the eligible biomass which the producer group will then supply to energy end-users. The group may include, but is not restricted to, the following:

- tenant growers or foresters;
- landowner growers or foresters;
- contractors carrying out farming or forestry operations;
- Government agencies carrying out farming or forestry operations.

Companies or organisations can apply to be members of a producer group if they are growing eligible biomass for an energy end-use. Each company/organisation qualifies as one member.

Companies or co-operatives with the objective of managing one or more agricultural or forestry holdings and which are therefore, in effect, single producers, are not eligible for grant aid as a producer group. They may, however, be eligible for funding as a business (see below for further information on the eligibility of businesses).

A producer group can be based on, or be part of, an existing organisation but it must have its own legal identity and accounts.

The producer group must:

- be legally established before or shortly after an application is approved. Otherwise, you are free to determine your own structure and functions within the Scheme rules. You must, however, draw up a constituting document describing the group's structure and functions;
- draw up its own operating rules on production, supply and marketing etc and require members to comply with the rules; and
- require members to remain part of the group for at least three years and give at least 12 months notice of withdrawal.

What is an eligible business?

The business must be involved in the organisation, promotion, encouragement, development, co-ordination or facilitation of the processing or marketing of eligible biomass to energy end-users. They can be:

- new businesses being set up to supply eligible biomass; or
- established businesses diversifying into supplying eligible biomass for the first time or diversifying into supplying a different type of eligible biomass.

Businesses may be made up of one or more people and may be, but are not restricted to, the following categories:

- an individual operating as a sole trader;
- partnerships;
- farmer controlled businesses;
- co-operatives;

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- machinery rings;
- contractors;
- charities;
- private limited companies (Ltd);
- public limited companies (plc);
- Government agencies.

Evidence of an energy end-user

You will need to provide evidence (see section 4) that you have, or will have, an energy market for the biomass. This could be a biomass power station; a community energy scheme using heat or combined heat and power (CHP) technology; privately owned houses; for your own use e.g. to heat your business etc. The end-use(s) must be within a reasonable distance of the source of the biomass. You will need to justify this distance on economic, practical and environmental grounds.

For more information on end-use options in your area, contact your Community Renewables Initiative Local Support Team or British BioGen, the bio-energy trade association (see Annex E for contact details). Defra's Crops for Energy Branch (see Annex E for contact details) may also be able to advise on approved end-users in your area.

European Structural Funds – Objective 1 funding

The areas of the UK awarded Objective 1 or Transitional Objective 1 status by the European Commission (see Annex B for details of these areas) have separate funding arrangements. If your project has received, or will receive, Objective 1 or Transitional Objective 1 funding, you may not be eligible for funding under the Bio-energy Infrastructure Scheme. Before completing an application for the Scheme, you must establish whether you are eligible to apply for Objective 1 or Transitional Objective 1 funding.

If your project is located entirely within an Objective 1 or Transitional Objective 1 area and will receive, or has received, Objective 1 or Transitional Objective 1 funding, you will **not be eligible** for funding under the Bio-energy Infrastructure Scheme. If your proposed area of operation overlaps an Objective 1 or Transitional Objective 1 area, it may be possible for your project to be jointly funded by the Bio-energy Infrastructure Scheme and Objective 1 or Transitional Objective 1 funds. If you think that this will be the case, please contact Defra's Crops for Energy Branch (see Annex E for contact details) before you apply.

Funding

What is the total funding available?

A total of £3.5 million is available under the scheme for the whole of the UK and it has not been divided into yearly or regional allocations. This allows greatest flexibility in allocating funding. Subject to the quality of the applications, the scheme aims to approve a good geographical spread of approved applications.

For which years is funding available?

Funding is available for the three financial years from 2005-6 to 2007-8.

What grant rates are available?

The available grants vary according to the type of biomass, the location and the size of the producer group or business. This is necessary in order to comply with the European Commission's rules. Eligible biomass is divided into two categories:

- short rotation coppice and woodfuel; and
- miscanthus, switch grass, reed canary grass, prairie cord grass, rye grass and straw.

Full details of the available grants for these two categories are given in the boxes below.

Definitions of the terms used are given after the two boxes.

If you wish to apply for another type of eligible biomass (see section 2) that does not fall in either of the above categories, please contact Defra's Crops for Energy Branch (see Annex E for contact details) before completing an application.

Section 3

What grants are available for short rotation coppice (SRC) and woodfuel?

Administrative set-up costs for SRC and woodfuel producer groups

Note that funding for SRC producer groups is only available for Wales, Scotland and Northern Ireland. (English SRC producer groups should apply under Defra's Energy Crops Scheme – see Annex E for contact details). Funding for woodfuel producer groups is available for the whole of the UK.

For administrative set-up costs for producer groups, the maximum grant rate is 100% in the first year, 80% in the second year and 60% in the third year, subject to an overall *de minimis* aid payment ceiling of 100,000 Euros over any three year period.

Eligible set-up costs are:

- legal and administration work in setting up a producer group, including:
 - legal, accountancy, consultant and administrative fees;
 - staff salaries, National Insurance and pension contributions;
 - overheads;
 - travel and associated overnight accommodation, where it is necessary for setting up the producer group;
 - consumable materials e.g. stationery, ink cartridges etc;
- purchase or rental of office and IT equipment, including fax machines, photocopiers, computer hardware and software etc;
- rental of office accommodation.

Purchase of specialist capital items for SRC and woodfuel producer groups and businesses

For the purchase of capital items, the maximum grant rate is 40%.

Eligible capital costs are:

- initial purchase of new or second-hand specialist equipment not already available to a producer group or business for:
 - harvesting;
 - pre-use processing (e.g. dryers, chippers, pelleters etc);
 - quality assurance (e.g. for checking moisture content, chip size etc); and
 - specialised handling;

- components to build bespoke specialist equipment as listed above;
- purchase of additional storage and hard-standing for necessary storage of harvested biomass crop prior to sale or transport.

Engineering costs for specialist capital items for SRC and woodfuel producer groups and businesses

Up to 12% of engineering costs to build bespoke specialist equipment as listed above.

Rental of specialist capital items for SRC and woodfuel producer groups and businesses

For rental costs for capital items for producer groups and businesses, the maximum grant rate is 100% in the first year, 80% in the second year and 60% in the third year, subject to an overall *de minimis* aid payment ceiling of 100,000 Euros over any three year period.

Eligible costs will be:

- initial rental of new or second-hand specialist equipment not already available to a producer group or business for:
 - harvesting;
 - pre-use processing (e.g. dryers, chippers, pelleters etc);
 - quality assurance (e.g. for checking moisture content, chip size etc); and
 - specialised handling;
- rental of additional storage and hard-standing for necessary storage of harvested biomass crop prior to sale or transport.

Training for SRC and woodfuel producer groups and businesses

For training in issues which are directly relevant to the successful operation of the supply chain (and where funding is not available from dedicated training grant schemes), the maximum grant is:

- for small and medium-sized enterprises:
 - in Assisted Areas, 40% in Article 87(3)(c) areas and 45% in Article 87(3)(a) areas;
 - 35% in all other areas of the UK;
- for large-sized enterprises:
 - in Assisted areas, 30% in Article 87(3)(c) areas and 35% in Article 87(3)(a) areas;
 - 25% in all other areas of the UK.

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Eligible costs are the purchase of training services from professional bodies in order to improve:

- business skills, e.g. all aspects of running and operating the producer group or business, including organising business paperwork and office systems (including computer management systems), implementation of the business plan etc;
- managing resources e.g. the effective use of all resources, including buildings, staff, consultants etc;
- new ways of working e.g. ways to run the producer group or business more flexibly;
- technical skills e.g. training in the use of specialist techniques and equipment for harvesting, processing, storing or supplying the biomass;
- marketing skills, e.g. understanding the needs of the energy end-use customers, preparation of a marketing plan, planning marketing and promotional activity etc.

What grants are available for miscanthus, switch grass, reed canary grass, prairie cord grass, rye grass and straw?

Administrative set-up costs for grass and straw producer groups

For administrative set-up costs for producer groups, the maximum grant rate is 100% in the first year, 80% in the second year and 60% in the third year.

Eligible set-up costs are:

- legal and administration work in setting up a producer group, including:
 - legal, accountancy, consultant and administrative fees;
 - staff salaries, National Insurance and pension contributions;
 - overheads;
 - travel and associated overnight accommodation, where it is necessary for setting up the producer group;
 - consumable materials e.g. stationery, ink cartridges etc;
- purchase or rental of office and IT equipment, including fax machines, photocopiers, computer hardware and software etc;
- rental of office accommodation.

Purchase of specialist capital items for grass and straw producer groups and businesses

For the purchase of capital items, the maximum grant rate is 40%.

Eligible capital costs are:

- initial purchase of new or second-hand specialist equipment not already available to a producer group or business for:
 - harvesting;
 - pre-use processing (e.g. dryers, chippers, pelleters etc);
 - quality assurance (e.g. for checking moisture content, chip size etc); and
 - specialised handling.
- components to build bespoke specialist equipment as listed above;
- purchase of additional storage and hard-standing for necessary storage of harvested biomass crop prior to sale or transport.

Engineering costs for grass and straw producer groups and businesses

Up to 12% of engineering costs to build bespoke specialist equipment as listed above.

Training for grass and straw producer groups and businesses

For training costs for producer groups and businesses in issues which are directly relevant to the successful operation of the supply chain, (and where funding is not available from dedicated training grant schemes), the maximum grant rate is:

- for small and medium-sized enterprises, up to 50% of eligible training costs or a maximum of 100,000 Euros per beneficiary over any three year period, whichever is greater.
- for all other enterprises, a maximum of 100,000 Euros per beneficiary over any three year period.

Eligible costs are the purchase of training services from professional bodies in order to improve:

- business skills, e.g. all aspects of running and operating the producer group or business, including organising business paperwork and office systems (including computer management systems), implementation of the business plan etc;
- managing resources e.g. the effective use of all resources, including buildings, staff, consultants etc;
- new ways of working e.g. ways to run the producer group or business more flexibly;
- technical skills e.g. training in the use of specialist techniques and equipment for harvesting, processing, storing or supplying the biomass;
- marketing skills, e.g. understanding the needs of the energy end-use customers, preparation of a marketing plan, planning marketing and promotional activity etc.

Assisted Areas

Assisted area status is given by the European Commission to areas in the European Union (EU) to allow more generous funding than would otherwise be permitted, with the aim of:

- promoting the economic development of areas where the standard of living is abnormally low or where there is serious underemployment – Article 87(3)(a) assisted area;
- facilitating the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest – Article 87(3)(c) assisted area.

A map showing these areas is at Annex A.

De minimis payments

The European Commission recognises that small amounts of aid will not distort competition. It therefore introduced a *de minimis* rule which allows aid payments to be made up to a specified ceiling, without having to comply with the usual strict rules on the provision of aid. This *de minimis* rule applies to grant aid for short rotation coppice and woodfuel for the setting up of producer groups and the rental of capital items. (The *de minimis* rule does not apply to the purchase of capital items, engineering costs or training for short rotation coppice and woodfuel, or for any grants for miscanthus, other grasses and straw.)

Where the *de minimis* rule applies, grant aid paid to any producer group or business must not exceed 100,000 Euros over a three year period. All *de minimis* payments received by a producer group or business count towards the ceiling, regardless of the scheme under which the payments were made. For example, if your business has already received two *de minimis* aid payments, each of 20,000 Euros, from other schemes within the last two the years, you can consequently receive a maximum *de minimis* aid funding of 60,000 Euros in the first year of the Bio-energy Infrastructure Scheme.

If you have received *de minimis* payments under *any* grant scheme from *any* organisation over the last three years, you must provide details on the application form (BIS 2).

Office accommodation

Only the rental of office accommodation is eligible for grant-aid. Where premises are purchased, the eligible expenses are limited to rental costs at market prices.

Ownership of equipment

All grant-aided equipment must remain an asset of the producer group or business as a whole, and not be an asset of an individual member.

Specialist capital items

Grants will only be available for specialist capital items that are unique to the bio-energy industry. Funding will *not* be provided for standard items of equipment routinely used for purposes other than biomass energy production such as chainsaws, felling machines, crushers for oilseed rape, forklifts, JCBs, standard transport lorries etc.

Second-hand equipment

Second-hand equipment may only be grant-aided where:

- there is a declaration from the seller that confirms the origin of the item and that it has not previously been subject to any grant aid. (If your application is successful, you will need to provide this declaration from the seller before any grant claims will be paid);
- the purchase represents a particular advantage for the project or is necessary because no new equivalent is available;
- the costs are less compared with buying the same equipment new, whilst maintaining a good cost/benefit ratio; and
- the item has the technical features required for the project.

Eligibility of training costs

Funding will not be provided for training which is eligible for grants under dedicated training schemes, for example, the Vocational Training Scheme in England (see Annex B). If the proposed training for your project is ineligible for funding under these schemes, you may apply under the Bio-energy Infrastructure Scheme.

Training may be carried out on-site or off-site e.g. at demonstration sites, training colleges etc.

Training grants – Definition of small, medium and large producer groups and businesses

Small and medium-sized enterprises (SMEs) are enterprises which:

- have fewer than 250 employees; and
- either have an annual turnover not exceeding 40 million Euros or have an annual balance sheet total not exceeding 27 million Euros; and
- not more than 25% of the capital or voting rights is owned by an enterprise which is not itself an SME.

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Large-sized enterprises are those that fall outside the definition above for small and medium-sized enterprise.

Choosing a suitable trainer

You may select any professional training body that you wish to meet your training needs. The only requirement is that the chosen trainer has current relevant technical expertise and is qualified to deliver training. As proof of this, trainers will need to:

- provide evidence of instructional competence, such as certificates from the appropriate National Training Organisation or other certifying bodies;
- provide suitable evidence of current technical skills and knowledge in the areas for which training will be provided. Such evidence would include relevant certificates or third party confirmation such as references;
- demonstrate knowledge and understanding of current health and safety requirements and in particular the ability to assess the suitability of the training environment to minimise/eliminate risk to trainees;
- possess an Emergency First Aid Certificate obtained as a result of attendance at a recognised course no longer than five years prior to the date of the proposed course;
- provide evidence to show that they have attended an appropriate recognised instructional techniques training programme;
- provide evidence that the training will be delivered using a participative instructional style based on proven training methodology and taking account of individual trainees' learning styles and abilities.

In exceptional cases where there is a pressing need for training and the applicant can show that there is no trainer with the above qualifications, we will still consider the application. However, in assessing the application, we will pay special attention to the quality and effectiveness of the training proposed. The training will need to be of a similar standard and quality to that which would be expected from a trainer meeting the above criteria.

Activities and items that are not eligible for grant funding

Grants will **not** be provided for:

- feasibility studies (as funding is limited, it is targeted at supporting actual supply, rather than feasibility studies);
- costs incurred in preparing the grant application, including business plans;
- any activity undertaken or items bought before approval of an application for grant aid;

- any aspects of growing the crop or trees (e.g. ground preparation, fencing, purchase of planting stock, planting, weed control, maintenance operations until first harvest etc);
- any items of equipment, buildings or facilities currently available to a producer group or business;
- standard items of equipment routinely used for purposes other than bio-energy production e.g. chainsaws, felling machines, crushers for oilseed rape, forklifts, JCBs, standard transport lorries etc (as funding is limited, it is targeted at supporting the more difficult-to-afford specialist equipment etc required for this area of work);
- upgrades of equipment after initial purchase (the funding is aimed at getting the supply lines started);
- provision of company cars;
- purchase of land;
- training which is eligible for grants under other dedicated training schemes;
- rental costs for capital items for miscanthus, other grasses and straw (such aid is allowed for short rotation coppice and woodfuel. This differentiation is necessary to comply with the European Commission's rules);
- interest and service charges arising from hire purchase, leasing and credit arrangements;
- input Value Added Tax (except where this cannot be reclaimed from Her Majesty's Customs & Excise);
- organising, publicising or running an open day;
- any activity or item which is already publicly funded up to the maximum levels.

Accumulation of public sector aid

Providing the appropriate conditions are fulfilled, you may be able to combine grants under the Bio-energy Infrastructure Scheme with other grant schemes. This would not be the case where:

- you would receive payment twice for the same activity;
- total grants paid from public sector sources for the project would exceed the limits specified in the boxes above; or
- the objectives of the schemes conflict.

Section 3

It is your responsibility to check this before applying. You must provide details on your application form (BIS 2) of all relevant grant funding received, or applied for, for your project.

Public sector sources include UK, local or European government, government agencies, Regional Development Agencies, non-departmental public bodies, statutory levies and the National Lottery.

Can an existing producer group or business wishing to diversify into a different type of biomass apply for funding?

Where an existing producer group is currently supplying one type of biomass and wishes to diversify into supplying a different type, you will not be eligible for grants for the administrative set-up costs for the new biomass as you will be expected to use existing admin resources.

A producer group or business may claim capital and training grants for items and activities which are specific to the new type of biomass, subject to not exceeding the maximum percentage rates set out in the boxes above. If your producer group or business was established with funding under another scheme, that funding will be taken into account when determining your eligibility under the Bio-energy Infrastructure Scheme. In such situations, you should contact Defra's Crops for Energy Branch (see Annex E for contact details) before completing an application form.

Can a producer group or business operating from several different sites claim separate funding for each site?

A producer group or business may be located on several different sites but, where practicable, all the sites will be expected to share resources such as office support and specialist equipment (if it is feasible to transport it between the sites). The maximum permitted grant levels (as set out in the boxes above) will be applied to the producer group or business as a whole, regardless of the number of different sites occupied.

Private sector funding – match funding and “in-kind” contributions

Once the maximum grant levels set out in this section have been reached, whether from this scheme or from any other public sector sources, all further funding (i.e. match funding) for your project must come from private sector sources. This could come from your own financial reserves, from loans, or financial contributions and “in-kind” contributions from others.

“In-kind” contributions are goods and/or services (such as voluntary work or specialist advice etc) provided free of charge to the project from individuals or organisations who are not part of the producer group or business and are not party to the Offer Letter that is issued by Defra when an application is approved (see section 4). Such contributions will need to be well documented, e.g. by the use of timesheets and agreed hourly rates.

Value for money

You will be expected to prove that all expenditure is value for money, for example, by providing competitive quotations/estimates for any capital items. You are encouraged to operate a sliding scale of support where possible, e.g. a gradual reduction in grant required as a producer group becomes established.

Value Added Tax (VAT)

Value Added Tax (VAT) is not an eligible cost if you are VAT registered. If you are not VAT registered and thus unable to claim back input VAT from Her Majesty’s Customs & Excise, you may include the VAT element in your claims.

Applications

Do not complete an application form until you have read all the information in this guide.

When can I apply?

There is one application window which is open for four months from the launch of the Scheme. Once this application window has closed, there will be a 3 month period when the applications will be assessed.

If any funds remain unallocated at the end of the assessment of the applications, there may be a second application window in Spring 2005.

How do I apply?

You will need to complete the application form (BIS 2). You can obtain a hard copy from Defra's Crops for Energy Branch or by downloading it from Defra's website (see Annex E for contact details) and completing it in manuscript.

You must also provide a business plan with supporting evidence. This may be prepared in any of the following formats: Microsoft Word (.doc) documents; Microsoft Excel (.xl) spreadsheets; Microsoft PowerPoint (.ppt) presentations; Rich Text Format (.rtf); and Adobe Acrobat (.pdf) documents.

Guidance on the information to include in the application form and business plan is given below.

How many applications can I submit if my producer group or business wishes to supply several different types of biomass?

Only one application can be submitted, regardless of how many different types of biomass are involved. You will be expected, where practicable, to share resources such as office support and specialist equipment between the different operations. The maximum permitted grant levels (as set out in section 3) will be applied to the producer group or business as a whole, regardless of how many different type of biomass are supplied.

How many applications can I submit if my producer group or business occupies more than one site?

Only one application can be submitted, regardless of the number of sites occupied. All sites will be expected, where practicable, to share resources such as office support and specialist equipment (if it is feasible to transport it between the sites). The maximum permitted grant levels set out in section 3 will be applied to the producer group or business as a whole, regardless of the number of different sites occupied.

Who completes the application form?

It is usual for an authorised signatory to complete and sign the application form on behalf of the members of the producer group or business.

For producer groups only, the authorised signatory must obtain written authorisation from the other members that he/she is authorised to sign. All the members should sign the authorisation and the original must be included with your application.

What information do I need to provide on the application form?

The application form asks for the following information:

- details of the producer group or business;
- details of the project, including why you are setting it up, its estimated start date, catchment area, energy end-users, type of biomass, categories of funding applied for;
- summary totals of grant funding applied for; and
- need for grant aid, including details of other public funding received or applied for.

What map(s) should I provide?

The map(s) must provide a clear indication of your proposed area of operation and the location(s) of your energy end-user(s). You must use original or good quality colour copies of up-to-date Ordnance Survey maps (or equivalent). The scale will depend on your area of operation but must be shown on the map. The completed map must bear the name of the producer group or business and be signed and dated by the authorised signatory (see above).

Business plan

Your completed application form must be accompanied by a business plan, as this is needed to properly assess the application. This should cover the following information:

- the name of the project;
- the need for the project;
- project objectives, targets and outputs;
- sustainability of the project i.e. the economic, environmental and social impacts;
- integration with other measures;
- financial viability;
- project costs and funding;
- need for capital equipment;
- training costs;
- need for public funds;
- project management and delivery;
- risk assessment;
- additional data.

Annex D gives more advice on completing the business plan.

What supporting evidence do I need to provide with the business plan?

Full details are given in Annex D but you may need to provide supporting documents such as:

- documented support for the project from relevant organisations;
- evidence to demonstrate that your project is linked in with an end-user:
- for producer groups only, a copy of the producer group's constituting documentation;
- facility letter or a letter of support from the provider of any finance for the project;
- *curriculum vitae* for any members of the producer group or business who have experience of running similar projects.

What evidence of an energy end-user do I need to provide?

You will need to demonstrate that you have, or will have, an energy market for the biomass. This could be a biomass power station; a community energy scheme using heat or combined heat and power (CHP) technology; privately owned houses; for your own use e.g. to heat your business etc.

The end-user(s) must be within a reasonable distance of the source of the biomass. You will need to justify this distance on economic, practical and environmental grounds.

For more information on end-use options in your area, contact your Community Renewables Initiative Local Support Team or British BioGen, the bio-energy trade association (see Annex E for contact details). Defra's Crops for Energy Branch (see Annex E) may also be able to advise on approved end-users in your area.

Suitable evidence that you will need to provide with your business plan to demonstrate that your project is linked in with an end-user includes:

- a contract from the end-user(s) showing how much fuel they expect to receive from you, at what price (or price range) and for how long;
- a letter of intent from the end-user(s). This should be on the end-user's headed notepaper and should be signed by an authorised signatory (end-users may be asked to supply a signatory panel for verification). There should be a letter from each end-user. The letter should include the following information: the volume and frequency of fuel deliveries they expect from you; the price (or price range) that they will pay you for the fuel; an estimate of the distance the fuel will have to travel; and the dates on which supply is expected to start and end.
- proof that you have access to your own equipment, e.g. receipts, photographs, independent references;
- planning permission (if applicable) to install suitable equipment for own use.

Do I need to consult anyone?

It may be helpful to consult with other interested parties when drawing up your application, for example, the industry bodies listed in Annex E.

For producer groups only, if any member of the group already has an individual agreement with an energy end-user, you need to ensure that the end-user will be happy to work with the group instead.

Can I claim for the cost of applying?

No. You will not be refunded any application costs, even if your application is unsuccessful.

Where do I send my application?

Send your application to Defra's Crops for Energy Branch at the address shown on the application form.

The completed application form must be signed in manuscript and must therefore be returned to Defra by post.

If you wish, your business plan and supporting information can be submitted electronically on 3½" diskette, CD-ROM or via e-mail provided that it is in one of the following formats: Microsoft Word (.doc) documents; Microsoft Excel (.xl) spreadsheets; Microsoft PowerPoint (.ppt) presentations; Rich Text Format (.rtf); and Adobe Acrobat (.pdf) documents. If submitted by e-mail, please ensure that you include a covering message which clearly identifies which application form it relates to by quoting the business or organisational name given in Q2 on the application form, BIS 2.

What happens next?

Once submitted, the application will undergo checks to ensure that it is eligible. We will inform you of its progress and may contact you for further information or clarification. If your application is eligible, it will be sent for technical assessment by suitably experienced Defra staff. This may involve meetings or telephone contact with you and consultation with interested parties.

After technical assessment, your application will be put before a Project Appraisal Panel chaired by Defra and made up of one representative from each of Defra, National Assembly for Wales Department for Environment, Planning and Countryside, Scottish Executive Rural Affairs Department, Department of Agriculture and Rural Development Northern Ireland and the Forestry Commission. One or more technical experts will advise the panel on the technical aspects of applications, including the business plans.

The Panel will consider all the information available and decide whether to approve or reject the application. The Scheme is competitive and applications will be assessed on the basis of the information contained in the application form and business plan. It is possible that the Panel will approve an application but attach certain conditions.

What are the criteria for approving applications?

The scheme is discretionary and only applications that offer good value for money will be accepted. Applications will be assessed to ensure they are of an appropriate quality. This will look at the perceived merit of the project in terms of:

- improving the infrastructure between the energy crop growers/forestry suppliers and energy end-users;
- reducing overall costs;
- appropriateness of the proposed scale of production (we are looking to fund a mixture of different sized projects);
- experience and expertise of the applicants;
- ability of applicant to deliver the production proposed;
- financial viability of the applicants;
- effect on the environment and, for woodfuel only, the impact on woodland;
- geographical spread;
- amount of grant aid sought (we are looking to fund a reasonable number of projects, not just a few large-scale ones);
- likelihood of scheme continuing if grant aid was not offered i.e. the need for grant aid;
- value for money.

How long does it take for the Panel to reach a decision?

The Panel will reach a decision on the applications within 3 months of closure of the application window.

The Offer letter

Once the Panel has reached a decision, you will be sent a letter indicating whether your application has been successful (an Offer Letter) or unsuccessful.

If you receive an Offer Letter, you have 4 weeks in which to sign and return it. The signed Offer Letter is a legally binding contract between yourself and Defra. The Offer Letter will set out the conditions that relate to your project and will stipulate the performance targets which you must meet in order to receive the grant aid. It will also set out the timetable during which approved amounts of eligible expenditure are expected to be incurred by you and reimbursement claimed from Defra. The special conditions and performance targets will be based upon the information supplied in your initial application, together with any other information provided during the assessment process.

You must comply with the targets and conditions contained in the Offer Letter in order for us to pay your claims for grant.

What if I want to withdraw my application?

You can withdraw your application at any time before you sign and return the Offer Letter. Please contact Defra's Crops for Energy Branch (see Annex E for contact details) straightaway if you decide to withdraw.

The agreement

When will my agreement start?

Your agreement with Defra will start once you have signed and returned your Offer Letter. No eligible costs should be incurred before this.

How long is the agreement?

Agreements will last for five years but projects may, and ideally will, continue for longer than this. Grants payments are available for the first three years.

What progress reports must I provide?

The group or business must be managed in accordance with the aims of the Scheme and the conditions in your Offer Letter. Grant recipients are required to provide:

- a short progress report each quarter (with the claim form). A proforma will be provided requesting the following information:
 - the activities undertaken in the quarter, including the amount and type of biomass delivered and the type of end-user supplied;
 - how the project is progressing in terms of meeting the objectives and milestones in the business plan;
 - explanations for any failure to meet planned targets and implications of this failure for future progress (i.e. whether milestones need to be revised);
 - how the money claimed compares with the budget plan.
- a report with the final claim explaining how the project has, or has not, met the objectives and milestones of the entire project. For projects which have received a grant of £100,000 or more, a report from an independent accountant must also be submitted with the final claim.
- a final report two years after the end of the agreement, covering the performance and achievements of the producer group or business since the final claim.

Intellectual property rights

You may retain any intellectual property rights for equipment designed and/or developed by the producer group or business. If you decide to license the rights, they must be made available to all and not licensed exclusively to certain people.

Publicising the project

You will be required to:

- actively promote your project and to acknowledge the grant scheme on any literature;
- hold an open day during the life of the agreement to allow visitors to look at specialist equipment, to discuss the working of the scheme and to learn about the project.

When do I claim the grant?

Payments will be made quarterly in arrears following receipt of either a valid claim form and receipts or a certificate from an independent accountant. Defra aims to pay valid claims within one month. **Under current funding arrangements, all grant payments must be made by March 2008.** Final claims must therefore be submitted for payment by the end of February 2008.

How is the grant paid?

Defra's preferred method of payment is by direct credit to your bank account, using BACS. If you already receive grant and subsidy payments from Defra by direct credit then your payments under this Scheme will be made by this method. If not, please contact Defra's Crops for Energy Branch (see Annex E for contact details) and they will arrange for a form to be sent to you. Credit payments are more effective, faster and will not be delayed in the post. You will receive a note advising you that payment has been made.

What records should I keep?

You must retain all records relating to your application and agreement for six years from the date of the final payment of grant.

Can I change my agreement?

You are required to fulfil your obligations for the full term of your agreement, but there are some circumstances where it may be possible to change aspects of your agreement (see section 7). **You must contact Defra's Crops for Energy Branch immediately if you wish to change your agreement or have difficulties complying with it.** If you do not do so, you may be subject to penalties (see section 7).

Monitoring of projects

Will my project be inspected?

Spot checks may be carried out on your project to verify that the project outputs are consistent with your claims. You must allow access at any reasonable time to authorised Defra staff or their agents to carry out this work. You may be required to accompany the inspector and to produce any relevant records. Inspections may be unannounced or at short notice.

If you refuse access for inspections, you may be in breach of your agreement (see section 7). Your agreement may be terminated.

How will this monitoring be carried out?

Monitoring of individual projects by Defra will be based on the business plan and the targets and milestones for the project.

Monitoring will be carried out by:

- a paper check of each quarterly progress report, comparing it against predicted progress in the business plan; and
- site visits. The number and frequency will depend on the nature and scale of the project but there will be at least one visit during the life of the agreement. Visits may be made:
 - early in the project's life;
 - before 50% of planned expenditure has been made;
 - when major milestones have been achieved;
 - if there are concerns about the project's progress or the claims submitted.

Site visits will be carried out by technical experts appointed by Defra.

In addition, Defra may, from time to time, conduct postal surveys etc aimed at reviewing the effectiveness of the scheme.

Non-compliance

What happens if I cannot meet my agreement?

If the producer group or business and/or its members cannot meet any element of the agreement, you must contact Defra's Crops for Energy Branch (see Annex E for contact details) immediately.

We recognise that there may be abnormal or unforeseeable circumstances outside your control, that you could not avoid by reasonable action, which may prevent compliance with an agreement. These are known as *force majeure* circumstances and may include the following:

- destruction of, or serious damage to, a producer group's or business's office;
- serious injury or death of one or more members of the producer group or business where this seriously affects the project;
- destruction or theft of machinery;
- a severe natural disaster;
- collapse of an energy end-user.

In such circumstances, and once you are in a position to do so, you must notify Defra's Crops for Energy Branch within 10 working days. If it is agreed that *force majeure* applies, no penalties will be imposed.

What are the penalties for making false statements or for non-compliance?

Where *force majeure* circumstances do not apply, the agreement may be terminated and grants may be withheld or reclaimed in full or in part where:

- false declarations have been made in the application;
- agreed commitments have not been complied with, including the cessation of the project before the end of the agreement;
- within five years of the final grant payment, grant-funded capital items have been:
 - sold, transferred or otherwise disposed of;
 - used primarily for a purpose other than that for which the grant has been paid;
 - not kept operational or in good repair.

Section 7

Interest will be levied for the period between payment and reimbursement.

The penalties applied will be proportionate to the breach. Criteria used to assess the magnitude of the breach include:

- whether it can be rectified;
- the extent to which it undermines the benefits and objectives of the agreement;
- the nature of the damage.

In the event of **serious breaches** where the participant has derived, or will derive, economic benefit, an **additional 10% penalty** may be imposed.

In addition, where a producer group or business and/or its members are found to have made false declarations through serious negligence, they will be disqualified from applying for the Scheme and possibly other schemes in the calendar year in question. Where it is found that a false declaration has been made intentionally, the disqualification period will extend to the following calendar year.

Can I appeal against a penalty?

Before applying any penalty, Defra will give you a written explanation of the proposed action and the reason(s) why this action is proposed. If you believe the decision is not soundly based, you will be given an opportunity to appeal.

Disclosure of information and publicity

How will Defra use the personal information that you provide?

To fulfil our obligations under the Data Protection Act, the following paragraphs give details of Defra's handling of any personal data that you provide in connection with your application and agreement. Personal data is any recorded information about any living individual, which is set out in such a way that the individual is, or could be, identified.

Any personal data supplied on the application form, or in connection with this application, will be used by Defra to assess and reach a decision on your application. We will also use your personal details to contact you in connection with this application. We may pass your personal data to external agencies contracted by Defra to carry out a technical assessment of the application and to monitor the approved projects. These agencies will use the information that you provide for the purposes of the Bio-energy Infrastructure Scheme only, which will include them contacting you at the request of Defra and to arrange a site inspection as appropriate. These agencies will abide by the Data Protection Act in respect of the personal data that you provide.

If personal information is supplied as part of any appeal in connection with the application, we will consider that information, together with any personal information received for your application itself, in order for us to reach a decision on the appeal.

Defra may also use the personal data supplied by you to invite you to attend events and to participate in future consultation exercises, and to send you information on issues related to bio-energy. In addition, Defra or its appointed agents may contact you in connection with occasional customer research aimed at improving the services that Defra provides to you.

What non-personal information will Defra make publicly available?

Details of applications will be treated as commercially confidential throughout the assessment stage. The number of applications received and the county of origin will be disclosed on request. However any requests for further information will need to be considered carefully (see the next page).

Section 8

Once an application is approved, the following information will be made available on Defra's website:

- the nature of the project and the catchment area;
- amount of grant approved under the scheme, given by county or regional breakdown.

Generalised information on the structure and organisation of producer groups and the equipment used by producer groups and businesses will be disseminated as part of best practice guidance. This guidance:

- will not identify the group or business concerned;
- will not disclose detailed specifications of custom-made equipment.

What information will Defra release in response to a specific request?

In limited circumstances, Defra may be required to release information, including personal data and commercial information, on request under the Environmental Information Regulations, the Code of Practice on Access to Government Information or the Freedom of Information Act 2000. However, Defra will not permit any unwarranted breach of confidentiality nor will we act in contravention of our obligations under the Data Protection Act 1998.

Complaints about Defra's administration

If you are not happy with the way Defra has treated you or feel that our service has fallen short of the standards we aim to achieve, please write to:

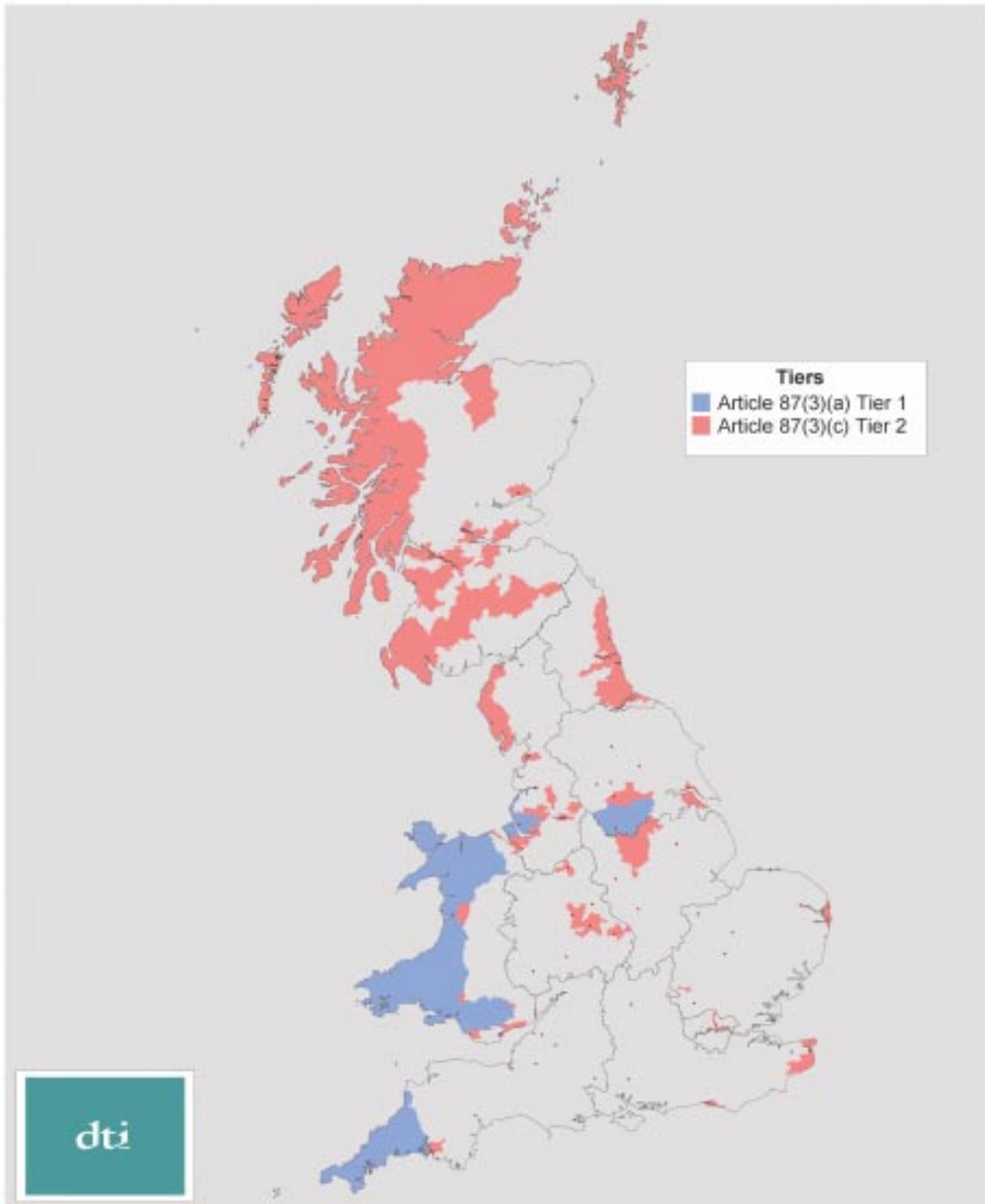
Head of Organic Farming and Industrial Crops Division
Room 501
Department for Environment, Food and Rural Affairs
Ergon House
Horseferry Road
London
SW1P 2AL

The Head of Defra's Organic Farming and Industrial Crops Division will ensure that your complaint is investigated and that you receive a full response.

If you remain dissatisfied with the service you have received, you can write to Defra's Complaints Adjudicator. Details of how to do so are available on the Defra website or from Defra's Crops for Energy Branch (see Annex E for contact details).

Assisted Areas

Tier 1 and 2 Assisted Areas in Great Britain



This map is a guide only. The definitive description of the areas in Tiers 1 and 2 is the Assisted Areas Order 2000, Statutory Instrument 2000 No. 2038. A scheme similar to Regional Selective Assistance operates in Northern Ireland.

Other grant schemes

Providing the appropriate conditions are fulfilled, you may be able to combine grants under the Bio-energy Infrastructure Scheme with other grant schemes. This would not be the case where you would receive payment twice for the same activity; if the objectives of the schemes conflict; or total grants paid for the project exceeded the limits specified in section 3. It is your responsibility to check this before applying. If in doubt, contact Defra's Crops for Energy Branch (see Annex E for contact details):

Agriculture Development Scheme (ADS) (England only)

The ADS is a non-capital business support scheme which provides grants of up to 50% for projects to improve marketing performance and competition. Projects will be selected for their industry-wide effect and priority will be given to those which involve co-operation benefiting primary producers, benchmarking, spread of best practice, assurance schemes and opening up new markets. For further information, contact Defra's Marketing Grants Branch (see Annex E for contact details) or see Defra's website at: <http://www.defra.gov.uk/foodrin/marketing/index.htm#ads>.

Challenge Fund for Short Rotation Coppice Energy Crops (Northern Ireland only)

The Challenge Fund for Short Rotation Coppice Energy Crops aims to increase the amount of short rotation coppice grown for an energy end use in Northern Ireland and will be launched before the end of 2004. Applications for funding to establish the crop will be assessed on a competitive basis. Assessment criteria include silvicultural, economic and environmental/social issues. Grant rates will be determined by the estimated costs for eligible operations provided by the successful applicants. Payments will be made in two installments. For further information, contact the Private Woodlands and Plant Health Branch of the Northern Ireland Forest Service (see Annex E for contact details).

Energy Crops Scheme (Establishment Grants) (England only)

The Energy Crops Scheme (Establishment Grants) provides grants to establish short rotation coppice (willow or poplar) and miscanthus. The one-off payments are designed to help with the costs of establishing the crop. This includes activities such as ground preparation, fencing, purchase of planting stock, planting, weed control and first year cutback. For further information, contact the Defra office at Crewe (see Annex E for contact details) or see Defra's website at: <http://www.defra.gov.uk/erdp/schemes/energy/default.htm>.

Energy Crops Scheme (Producer Groups) (England only)

The Energy Crops Scheme (Producer Groups) provides grants for setting up short rotation coppice producer groups in England. Grants of up to 50% of eligible expenditure, including legal fees, office accommodation and specialist machinery, are available. The scheme does not provide support for producer groups for any other energy crops. Energy Crops Scheme producer groups will not be able to access additional funding from the Bio-energy Infrastructure Scheme for short rotation coppice. However, an Energy Crops Scheme producer group may work alongside one funded under the Bio-energy Infrastructure Scheme to supply the same end-user(s). For further information, contact Defra's Crops for Energy Branch (see Annex E for contact details) or see Defra's website at:
<http://www.defra.gov.uk/erdp/schemes/energy/default.htm>.

European Structural Funds – Objective 1 and Transitional Objective 1 areas

The European Union provides aid to sectors of the economy in difficulty and to less well developed regions within the EU. Objective 1 helps redevelop regions seriously behind the EU average. A map showing these areas in the UK is at Annex C. The areas which have Objective 1 and Transitional Objective 1 funding for bio-energy are:

- Cornwall and the Isles of Scilly;
- South Yorkshire (the boroughs of Barnsley, Doncaster, Rotherham and Sheffield);
- West Wales and the Valleys (for a detailed map of the eligible areas, see the Welsh European Funding Organisation website at: www.wefo.wales.gov.uk/newprogs/objective1/obj1-map.htm);
- Highland and Islands of Scotland (under the Highlands and Islands Special Transitional Programme. For a detailed map of the eligible areas, see the Scottish Executive website at: www.scotland.gov.uk/about/FCSD/ESF/00017404/map.pdf); and
- Northern Ireland (the under the Northern Ireland Transitional Programme, Building Sustainable Prosperity).

The Merseyside Objective 1 area does not provide funding for bio-energy.

For further information about Objective 1 and Objective 1 Transitional funding, contact the relevant office as shown in Annex E.

Vocational Training Scheme (VTS) (England only)

The VTS provides grants of up to 75% of eligible costs for vocational training that improves the occupational skill and competence of farmers and other persons involved in forestry and farming activities and their conversion (i.e. diversification into non farming or forestry activities, or a change from one type of agricultural activity to another). Grants are awarded on a competitive basis – only applications that best meet national and regional objectives and priorities, and the conditions of the scheme, will receive grant.

The VTS can only support training if it is vocational (i.e. it relates to the performance of a person's occupation or work) and falls within one of the following areas:

- Information and communications technology;
- Business skills;
- Marketing;
- Conservation and environment skills;
- Diversification opportunities;
- Managing resources;
- Managing yourself and your staff;
- Looking at new ways of working;
- Technical skills (forestry);
- Technical skills (agriculture and horticulture);
- On farm food production and processing skills.

For further information, contact your local Defra office (see Annex E for contact details) or see Defra's website at: <http://www.defra.gov.uk/erdp/schemes/training/default.htm>.

Welsh Wood Energy Business Scheme (WEBS)

This scheme is designed to encourage the establishment of a network of small to medium-scale heat and CHP woodfuel markets in Wales. Only projects at the appropriate scale, which can demonstrate efficiency, sustainability and technical suitability will be supported. Likely markets for woodfuel installations of the scale envisaged by this scheme include public or private buildings such as schools, hospitals and community centres. The scheme will support projects which can demonstrate reliable clean energy technology and sustain a robust supply chain for woodfuel.

Annex B

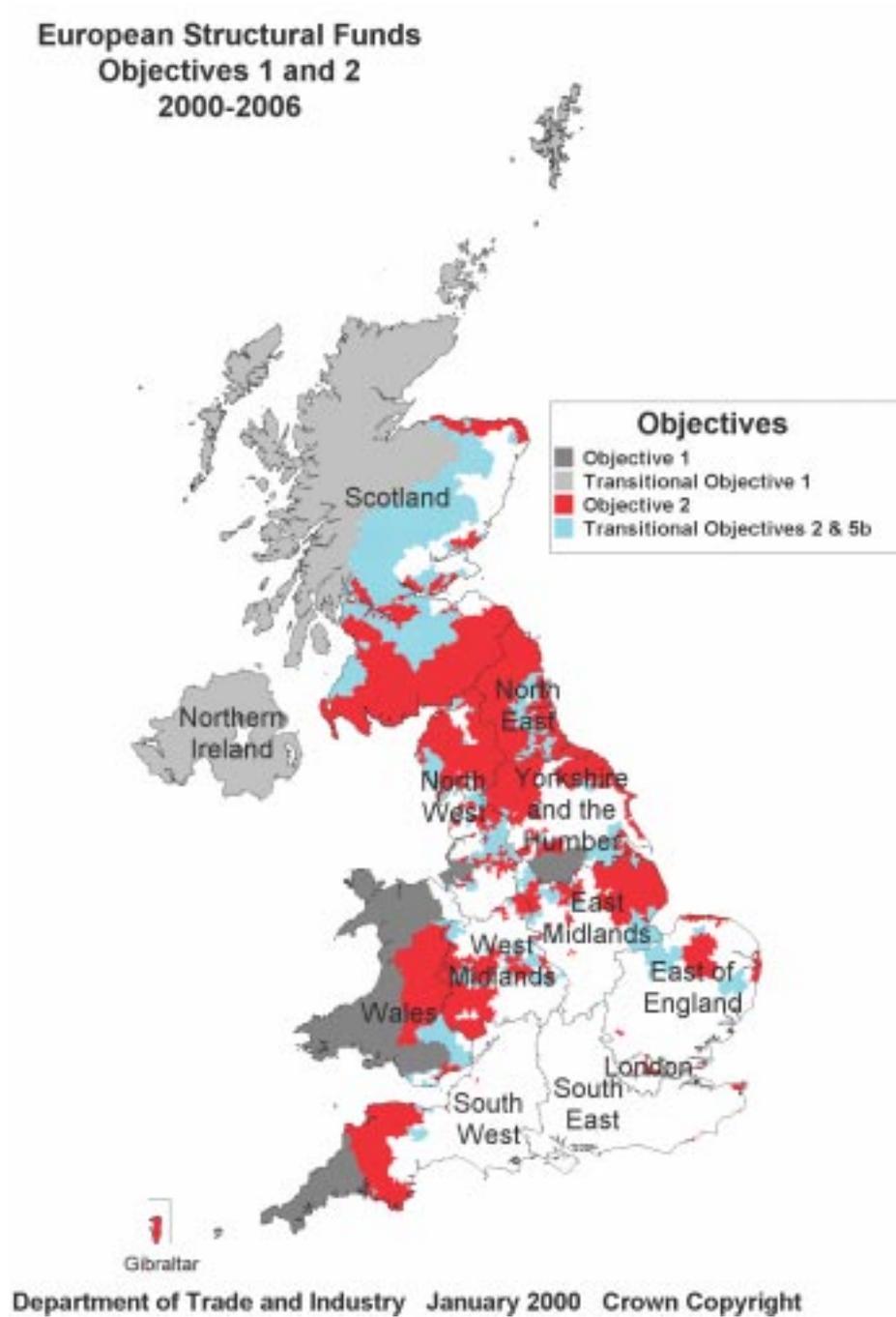
Eligible businesses who wish to produce, sell or buy woodfuel, or supply heat from woodfuel can apply for capital grants. Direct applications from a public sector body will not be eligible. However, an application by a private company to supply heat to a public building would be eligible as long as the private company own and maintain the boiler and supply the woodfuel. For further information, contact the WEBS staff (see Annex E for contact details).

Woodland grants

In England and Wales, the Forestry Commission's Woodland Grant Scheme (WGS) offers grants to plant or manage woodland although you can no longer apply to grow short rotation coppice for an energy end-use under the WGS. In Scotland, grants to plant and manage trees including short rotation coppice are available from the Scottish Forestry Grants Scheme (SFGS) For further information, contact the relevant Forestry Commission office (see Annex E for contact details).

In Northern Ireland, a Challenge Fund for short rotation coppice is being developed under the WGS. For further information, see the separate entry above.

Objective 1 areas



Business plan

You must provide a Business Plan with your application. It is a key element of the application and should demonstrate that your project will be:

- feasible;
- value for money;
- self-sustaining after grant aid has ceased; and
- beneficial to the rural community, economy and environment.

Please set out your business plan as shown below. It is important to follow this structure to allow prompt assessment of your application. If you have any queries regarding the information you need to provide, contact Defra's Crops for Energy Branch (see Annex E for contact details).

Name of the project

This should be the same as that given at Q2 on the application form, BIS 2.

Need for the project

- Describe the existing activity in the region. Will you be competing or co-operating with anyone in your catchment? Are there any particular issues or needs that your project will address?
- Summarise any market research or other preliminary work, including documented support for the project from relevant organisations.
- In Q13 of the application form (BIS 2), you gave the details of the end-user(s) for your biomass. Describe the type of evidence you are attaching to your business plan to prove the link to the end user(s) (see section 4 of this booklet for further information on what constitutes suitable evidence);
- Justify the distance between the source of the biomass and the end user(s).

Project objectives, targets and outputs

- Give a clear description of what you are proposing to do and the results you expect to see. Set out detailed objectives, milestones, targets, outputs and results for the project (it may help to do this in a table). Outputs may include number of jobs created/preserved, increased income of participating businesses, biomass growers recruited, and quantity of biomass sold or for own use. Milestones are key events that will be essential to the project's success.
- For producer groups only, give the following details for each member of the group:
 - full name; and
 - principal activity (e.g. farmer, forester, contractor (specify the type of activity), member of a (named) Government agency (specify the type of activity undertaken by the individual) etc). All members of the producer group must be actively involved in growing the eligible biomass which the producer group will then supply to the energy end-user.
- For producer groups only, attach a copy of the group's constituting documentation.
- Explain how you will publicise the project and your plans for the required open day (see section 5).
- Set out the long-term strategy for the project. The project should be viable after grant aid has ceased. Explain how it will be funded and what its aims will be.

Sustainability of the project – economic, environmental and social impacts

Sustainable development is about ensuring a better quality of life for everyone – now and for generations to come. It means meeting four key objectives at the same time:

- Economic growth and employment;
- Effective protection of the environment;
- Prudent use of natural resources; and
- Social progress which recognises the needs of everyone.

Under this heading, you should describe the economic, environmental and social impacts of your project.

Economic impact

- Describe the project's contribution to the overall economic development of the region and the involvement of other businesses (new or existing). Detail any consultants, advisers or other third parties that may be involved in delivering the project.
- Will the project provide security for jobs under threat and/or lead to extra jobs being created in the area? The benefits should be quantifiable and the basis for figures must be provided.

Environmental impact

- Set out the ways in which your project has an impact on the environment, both positive and negative. What steps have you taken to ensure the impact is minimised? A formal environmental assessment is not necessary.
- Give details of any consultation with relevant organisations or individuals.

Social impact

- Explain what contribution your project will make to ensuring equality of opportunity for all in rural areas.
- Explain how you will ensure that your project meets the needs of equal opportunities. The relevant provisions of the Sex Discrimination Act 1975, the Race Relations Act 1976 and the Disability Discrimination Act 1995 must be taken into account in the management of your project. Should you need advice, we suggest that you consult your own legal advisers, the Equal Opportunities Commission, or the Commission for Racial Equality.

Integration with other measures

- Where relevant, describe how your project will integrate with other measures, for example, Objective 1, the Energy Crops Scheme, training schemes etc. Will the different measures complement each other? Will you receive funding twice for the same activity?

Financial Viability

- Set out in a table the projected cash flow and profit and loss forecasts for each financial year from 2005-06 to 2009-10. For the costs incurred for items and activities and the grants required, only overall yearly totals are needed as detailed figures will be set out in the tables referred to below.

Project costs and funding

- Set out in tables a quarterly breakdown of all the costs (net of VAT) for items and activities and the grants required under this scheme for each financial year from 2005-06 to 2007-8. A template for this table is at the end of this annex. The costs and grants should be linked to the project timetable.
- Explain the criteria you are using to calculate costs, including competitive tenders and quotations where appropriate.
- List the items and activities that are summarised in each category of the above table e.g. for the category “purchase of office and IT equipment”, list the items you will be purchasing, such as 1 fax machine, 2 PCs, 1 printer;
- Give details of any in-kind contributions that you have included (see section 3 for a definition of in-kind contributions). Explain the basis of any monetary value that has been assigned to them (time and costs) and any assumptions made.
- Give details of the sources of public or private funding that you have already secured, including any conditions on which that funding is dependent. A copy of the facility letter or a letter of support from the provider of any finance must be attached.
- Give details of any sources of public or private funding applied for but not yet secured. Outline the status of your application(s).

Need for capital equipment

- Explain why you need the capital items for which you are seeking funding.
- For second-hand equipment, explain why this represents a particular advantage for the project compared to new equipment. (e.g. is no new equivalent available? Are the costs less, compared with buying the same equipment new, whilst maintaining a good cost/benefit ratio?).
- For bespoke equipment, explain why “off the peg” equipment is not suitable.

Training costs

For each separate training activity for which you are seeking funding, give:

- A brief description of the training.
- How it will contribute to the project's success.
- Number of people who will receive the training and the number of days duration.
- Name(s) of the proposed trainer(s) or training organisation(s) and their business address(es).
- Evidence of the competence of the trainer(s) (see section 3 for further information).

Need for public funds

- Explain why your project needs the public funds you are asking for. Would the project go ahead without public funding but on a smaller scale? Would the project go ahead but over a longer timescale?
- Explain what other sources of funding you have considered but found to be unsuitable.
- Explain how the benefits achieved by supporting your project will represent value for money.
- Describe any links to either previous projects supported by public funds or schemes you are currently applying for.

Project management and delivery

- Explain how the project will be managed. Does anyone involved in the project have experience of running similar projects? If so, provide evidence, e.g. a *curriculum vitae*. What will be the roles and responsibilities of the members?
- Describe how employees will be recruited and paid. What skills will you expect them to have?
- Set out the financial management systems that you intend to implement. You must be able to provide auditable accounts through which grant expenditure can be traced.
- Detail the project management costs. Will they represent value for money relative to the overall project costs and the benefits achieved?
- Describe your reporting procedures. How will you demonstrate that you are achieving what you set out in your Business Plan?

Risk Assessment

- Describe any new or untried activities involved in the project.
- Describe any possible weaknesses or risks in your project that have not been fully explored elsewhere in the Business Plan.
- Explain the procedures that will be put in place to manage/mitigate any risks.

Additional data

Please include any data or information, not covered by any of the previous headings, which will help us analyse and understand your project.

Template for Expenditure and grant payments table

A template for the quarterly breakdown of expenditure and grant payments is set out overleaf. If you would like a copy of this template (either as a Microsoft Word or Excel document) to be e-mailed to you or posted to you on a 3½" disk, contact Crops for Energy Branch (see Annex E for contact details).

Please compile a separate table for each financial year. For each quarter, give the costs and the grant applied for (in £s and net of VAT). In the final "% " column, give the grant applied for as a percentage of costs. Do not fill in any shaded boxes. You may delete any items or activities that are not relevant to your application.

Annex D

Expenditure and grant payments for financial year: 200..... to 200.....

	Q1 (April-June)		Q2 (July-Sept)		Q3 (Oct-Dec)		Q4 (Jan-Mar)		Total for the year		
	Costs	Grant	Costs	Grant	Costs	Grant	Costs	Grant	Costs	Grant	%
Producer group set up											
Legal fees											
Accountancy fees											
Consultant fees											
Administration fees											
Staff salary costs											
Overheads											
Travel & overnight accommodation											
Consumable materials											
Purchase of office and IT equipment											
Rental of office and IT equipment											
Rental of office accommodation.											
Total for producer group set up											
Purchase of capital items											
Harvesting equipment											
Pre-use processing equipment											
Quality assurance equipment											
Handling equipment											
Components to build bespoke equipment											
Additional storage and hard-standing											
Total for purchase of capital items											

Business plan

Expenditure and grant payments for financial year: 200..... to 200..... (continued)

	Q1 (April-June)		Q2 (July-Sept)		Q3 (Oct-Dec)		Q4 (Jan-Mar)		Total for the year		
	Costs	Grant	Costs	Grant	Costs	Grant	Costs	Grant	Costs	Grant	%
Engineering costs											
Assembly of bespoke equipment											
Rental of capital items											
Harvesting equipment											
Pre-use processing equipment											
Quality assurance equipment											
Handling equipment											
Additional storage and hard-standing											
Total for rental of capital items											
Training											
Business skills											
Managing resources											
New ways of working											
Technical skills											
Marketing skills											
Total for training											
TOTAL COSTS											

Contacts

Department for Environment, Food and Rural Affairs (Defra)

Bio-energy Infrastructure Scheme

Crops for Energy Branch, Area 5A
Department for Environment, Food and Rural Affairs
Ergon House
Horseferry Road
London
SW1P 2AL

Tel: 020 7238 6244

Fax: 020 7238 6166

E-mail: industrialcrops@defra.gsi.gov.uk

Website: <http://www.defra.gov.uk/industrialcrops/energy/infrastructure.htm>.

Agriculture Development Scheme

Marketing Grants Branch, Rm 342
Department for Environment, Food and Rural Affairs
Nobel House
17 Smith Square
London
SW1P 3JR

Tel: 020 7238 1205

Fax: 020 7238 5728

E-mail: ads.mailbox@defra.gsi.gov.uk

Website: <http://www.defra.gov.uk/foodrin/marketing/index.htm#ads>.

Energy Crops Scheme (ECS)

Producer groups and ECS policy

Crops for Energy Branch, Area 5A
Department for Environment, Food and Rural Affairs
Ergon House
Horseferry Road
London
SW1P 2AL

Tel: 020 7238 6244

Fax: 020 7238 6166

E-mail: industrialcrops@defra.gsi.gov.uk

Website: <http://www.defra.gov.uk/erdp/schemes/energy/default.htm>

ECS Establishment Grants

Organic and Energy Crops National Implementation Team
RDS North West
Department for Environment, Food and Rural Affairs
Electra Way
Crewe
CW1 6GL
Tel: 01270 754000
Fax: 01270 754088
E-mail: organic-energy@defra.gsi.gov.uk
Website: <http://www.defra.gov.uk/erdp/schemes/energy/default.htm>

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Yorkshire and the Humber

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Defra (RDS Yorkshire and Humber)

Government Buildings

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North East

Durham and Northumberland, and the Tyne, Tees & Wear Valleys.

Defra (RDS North East)

Quadrant

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NE15 8NZ

Tel: 0191 229 5500

E-mail: enquiries.northeast@defra.gsi.gov.uk

Community Renewables Initiative Local Support Teams

Devon & Cornwall

Devon Association for Renewable

Energy

12a The Square

North Tawton

Devon

EX20 2EP

Tel/fax: 01837 89200

E-mail: mail@devondare.org

Website: www.devondare.org

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Severn Wye Energy Agency

Unit 6/15

The Mews

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Mitcheldean

Gloucestershire

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Annex E

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Berkshire, Buckinghamshire and Oxfordshire

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Newbury
Berkshire
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Fax: 01635 552 779
E-mail: info@tvenergy.org
Website: www.tvenergy.co.uk

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Kingston Upon Thames
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KT1 2DY

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Fax: 020 8541 9021
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Website: www.surreycc.gov.uk

Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk & Suffolk

National Energy Foundation
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Milton Keynes
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Website: www.greenenergy.org.uk/cri

Herefordshire & Shropshire

Marches Energy Agency
23 Swan Hill
Shrewsbury
SY1 1NN

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Fax. 01743 246008
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East Midlands Community Renewables Initiative
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Yorkshire & The Humber

Yorkshire Renewable Energy Network
Alternative Technology Centre
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website: www.yren.org.uk

Northumberland & County Durham

REALL (Renewable Energy at Local Level)
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NE61 2HX

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Website: www.ccn-reall.fsnet.co.uk

Annex E

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CLAREN (Cumbria and Lancashire Community Renewables)
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LA14 2LD

Contact – Elizabeth Bruce
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European Structural Funds – Objective 1 and Transitional Objective 1 Areas

Cornwall and the Isles of Scilly

Objective One Partnership Office
Castle House
Pydar Street
Truro
TR1 2UD

Tel: 01872 241 379
Fax: 01872 241 388
Website: www.objectiveone.com
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South Yorkshire

Objective 1 Programme Directorate
Silkstone House
Pioneer Close
Manvers Way
Wath Upon Dearne
Rotherham
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S63 7JZ

Tel: 01709 763 600
Fax: 01709 763 679
Website: www.goyh.gov.uk/objective1

Highlands and Islands of Scotland

Highlands and Islands Special Transitional Programme
Programme Management Executive
Castle Wynd
Inverness
IV2 3EB

Tel: 01463 228 900
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E-mail: hipp.general@hipp.org.uk
Website: www.hipp.org.uk

Northern Ireland

European Division
Health Estates
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Dundonald
BT16 1US

Tel (Helpdesk): 028 9052 3743
E-mail: eurodiv.cfg@dfpni.gov.uk
Website: www.europe-dfpni.gov.uk

West Wales and the Valleys

For further information, see the Welsh European Funding Office website at:
<http://www.wefo.wales.gov.uk/newprogs/objective1/index.htm>

Local Strategies Plans South East Wales

Welsh European Funding Office
Cathays Park
Cardiff
CF10 3NQ

Tel: 029 2082 5111
Fax: 029 2082 3797
E-mail: enquiries-wefo@wales.gsi.gov.uk

Local Strategies Plans South West Wales

Welsh European Funding Office
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SA31 3BT

Tel: 01267 225 488
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E-mail: enquiries-wefo@wales.gsi.gov.uk

Annex E

ESF & Regional Action Plans and EAGGF & FIFG & Regional Action Plans

Welsh European Funding Office
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E-mail: enquiries-wefo@wales.gsi.gov.uk

ERDF & Regional Action Plans & Major Projects and Private Sector Projects

Welsh European Funding Office
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CF45 4ER

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Forestry Commission (England, Wales and Scotland)

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Website: www.forestry.gov.uk/england

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Website: www.forestry.gov.uk/wales

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Forestry Commission Scotland
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Enquiries: 0845 3673787
Fax: 0131 314 6152
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Website: www.forestry.gov.uk/scotland

Forest Service (Northern Ireland)

Forest Service
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Website: www.forests-service-ni.gov.uk

Industry bodies

British BioGen

16 Belgrave Square
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E-mail: info@britishbiogen.co.uk
Website: www.britishbiogen.co.uk

National Farmers Union

Alternative Crops Adviser
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Annex E

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Website: www.cla.org.uk

Forestry and Timber Association

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Fax: 0131 538 7222
E-mail: info@forestryandtimber.org
Website: www.forestryandtimber.org

Forestry Contracting Association

Head Office
Dalfling
Blairdaff
Inverurie
Aberdeenshire
AB51 5LA

Tel: 01467 651368
Fax: 01467 651595
E-mail: members@fcauk.com
Website: www.fcauk.com

Wood Energy Business Scheme (WEBS)

Wood Energy Business Scheme
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Aberystwyth
SY23 3ED.

Tel: 01970 821219
E-mail: woodenergybusiness@forestry.gsi.gov.uk

Glossary

Agreement

A binding agreement with the Department for Environment, Food and Rural Affairs (Defra) to comply with Scheme requirements and rules for five years.

Assisted Areas

Assisted area status is given by the European Commission to areas in the European Union (EU) to allow funding with the aim of:

- promoting the economic development of areas where the standard of living is abnormally low or where there is serious underemployment – Article 87(3)(a) assisted area;
- facilitating the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest – Article 87(3)(c) assisted area.

A map showing these areas is at Annex A.

Biomass

Under this scheme, eligible biomass includes: short rotation coppice (willow or poplar); miscanthus; switch grass, reed canary grass, prairie cord grass, rye grass; woodfuel, including sawdust; straw; and other energy crops at Defra's discretion.

Defra

The Department for Environment, Food and Rural Affairs.

Energy Crops Scheme (Establishment Grants) – England only

Provides one-off grants in England to establish short rotation coppice (willow or poplar) and miscanthus.

Energy Crops Scheme (Producer Groups) – England only

Provides grants for setting up short rotation coppice producer groups in England.

Force Majeure

Abnormal or unforeseeable circumstances beyond your control and which could not have been avoided by reasonable action.

Miscanthus

A fast growing, tall, woody, perennial, rhizomatous grass, originating from Asia. Once established the crop can be harvested annually for at least 15 years.

Objective 1 areas

Objective 1 status is given by the European Commission to areas in the European Union (EU) whose economic development is lagging behind the EU average in terms of income and employment by less than 75% of GDP per capita. The Objective 1 Programme provides funds for a wide variety of activities with the aim of moving these regions towards a range of targets. These targets include raising income per head, encouraging diversification, increasing the number of jobs and businesses, and boosting wages and incomes. The current programme runs until the end of 2006. A map showing these areas is at Annex C.

Producer groups

A producer group is a legally established group of growers who work together to harvest eligible biomass and to supply it, after processing and storage if necessary, to one or more energy end-users. A group must be made up of two or more people, all of whom must be actively involved in producing eligible biomass.

SRC

Short rotation coppice – densely planted, high-yielding varieties of either willow or poplar, harvested on a 2-5 year cycle for up to 30 years.

Woodfuel

Under this scheme, woodfuel means woodfuel derived from any part of a tree as a result of:

- forestry operations or arboricultural tree management operations; and
- primary processing, including saw milling. This may be in the form of offcuts, slabwood, bark, chips and sawdust, provided they are not chemically treated.

The scheme does **not** cover wood arising from secondary processing, such as furniture-making, or any wood that has been chemically treated or painted.





What to do next

- Carefully read the information in this guide and the questions on the application form to decide if this Scheme is right for you.
- Check that your proposal is eligible and that you can meet the Scheme conditions.
- Consider whether you have or can learn the necessary skills.
- Ensure that you have evidence that the group or business will have an energy market.
- Check that your application will not conflict with any other grant scheme that you are or will be participating in.
- For producer groups only, check that all potential members are growers.
- Prepare a detailed business plan (see Annex D) and attach:
 - documented support for the project from relevant organisations;
 - evidence of an energy end-use;
 - for producer groups only, a copy of the producer group's constituting documentation.
 - facility letter or a letter of support from the provider of any finance for the project.
 - *curriculum vitae* for any members of the producer group or business who have experience of running similar projects.
- Fill in the application form and attach:
 - a map showing the catchment area for the project;
 - for producer groups only, the authorisation signed by all members of the producer group to permit the authorised signatory to act on their behalf.
- Send your application to Defra's Crops for Energy Branch (see the address on the application form).
- Check that you receive the acknowledgement slip from Defra within 1 week of sending your application.

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