

INNOVATION AID FOR SHIPBUILDING

State aid can be granted for shipbuilding innovations in order to secure favourable preconditions for innovation in the sector.

The aid is intended for the development of shipping project innovations. The aim is to achieve innovative and advanced vessel or offshore solutions, while facilitating market entry for new innovations as part of shipping projects.

- 1) The project concerns the experimental development of innovative products and methods which are technologically new or markedly better than the currently best equivalents in the EU's shipbuilding industry, and which involve a risk of technological or industrial failure; and
- 2) Where the aid is directly and exclusively limited to investment, design and testing costs related to the innovative component of the project.
- 3) Grants can only be approved for activities that occur after an application has been made.

The grounds for awarding innovation aid were defined in the Government Decree, issued on 9 April 2015, on state aid for innovations in shipbuilding, No 364/2015. The decree entered into force on 15 April 2015 and will remain in force until 31 December 2020. The decree also applies to projects for which aid is sought prior to the entry into force of the decree. Amendments have been made to the decree on the basis of Government Decree No. 1153/2017.

The provisions of EU Commission Regulation (EU) No 651/2014 (General Block Exemption Regulation), which state that certain categories of aid are compatible with the internal market in accordance with Articles 107 and 108 of the related Treaty, apply to the aid (aid no. SA.41775 (2015/X)). The provisions of the Act on Discretionary Government Transfers (688/2001) also apply to the state aid.

The aid can be awarded to:

- 1) Companies registered in Finland that are engaged in shipbuilding, vessel repairs or structural modifications, and companies engaged in building floating and moving offshore structures;
- 2) if the recipient of the aid has an office in Finland and the project involves significant Finnish interests;
- 3) if the project concerns the experimental development of innovative products and processes which are technologically new or markedly better than the currently best equivalents in the EU's shipbuilding industry, and which involve a risk of technological or industrial failure;
- 4) if the innovation aid has an incentivising effect on the innovation activities of the recipient; and
- 5) if the recipient is thought to have the preconditions for continued profitable operations.

The aid can be awarded for projects with the following content:

- 1) Experimental R&D, in which existing knowledge is used in order to develop new and improved products, processes or services, prototypes and pilot projects. Such R&D does not include improvements of existing products, which can be classified as so-called normal and unavoidable development.
- 2) shipbuilding involving the construction of self-propelled, commercial vessels featuring innovations
- 3) ship repairs involving the innovative repair of self-propelled commercial vessels
- 4) structural modifications of ships, involving fundamental structural modifications of self-propelled commercial vessels (gross tonnage of > 1,000 tonnes)
- 5) the construction of floating or moving offshore structures intended for the search for, or the exploitation or production of oil, gas or renewable energy.

Eligible costs

Eligible costs include the following costs incurred by the recipient in relation to the project:

- salary costs
- Indirect personnel costs
- services purchased externally
- materials and supplies
- equipment purchases, depreciation and rental costs

The overall project for which innovation aid is sought must be distinct from other construction projects; during the project, the R&D elements covered by the innovation aid must be monitored under their own cost centre or job numbers. If the recipient is liable to pay VAT, VAT on costs will not constitute eligible costs. Expenditure based on an order placed before the beginning of a period cannot be allocated to the project except when the order is associated with an option to annul it, linked to the launching of the project.

More detailed information on eligible costs and their monitoring can be found in the General terms and conditions of innovation aid for shipbuilding.

Eligible costs associated with new types of vessel and offshore structures

- 1) costs incurred in product concept development, design, operational planning or detailed planning,
- 2) costs associated with research, testing and models, and other, similar vessel
- 3) research and design-related costs,
- 4) costs related to design and its implementation, as well as the costs of product tests and trials
- 5) increased personnel costs and overheads resulting from the implementation of a technical innovation, but limited to the minimum necessary

Costs referred to in paragraphs 1-3 above, which can be considered comparable to a conventional ship design for a previous vessel type, are not considered eligible costs.

Serial-produced vessels/structures

Additional costs incurred in the construction of the first vessel of a new vessel type can be the difference between the related personnel and indirect personnel costs and overheads, and costs associated with vessels (sister ships) built later as part of the same series of vessels.

Costs associated with the building of a new vessel type may form up to 10 percent of the eligible costs, if such costs are necessary for the practical implementation of the technical innovation, and if they are estimated to total more than 3 percent of the production costs of sister ships built later.

Eligible costs associated with new components or systems

The following costs incurred due to new components or systems eligible for innovation aid are considered eligible wherever and when such components or systems are used in the project, with the proviso that they are directly related to the innovation:

- 1) design and development costs
- 2) testing costs and models associated with the innovative element
- 3) material and equipment costs
- 4) In exceptional cases, the assembly and installation costs of new components or systems associated with the practical implementation of the innovation, with the proviso that these are limited to the minimum necessary quantities

Eligible costs related to new methods

The following costs incurred due to new methods eligible for innovation aid are considered eligible wherever and when such methods are used in the project, with the proviso that they are directly related to the innovation process:

- 1) design and development costs
- 2) material and equipment costs
- 3) if necessary, costs related to testing a new method

Maximum aid

The aid may not exceed 25% of the eligible costs defined in the regulation. Maximum aid of EUR 10 million can be awarded for a single project.

Submitting applications

Applications for aid can be sent to the innovation funding centre Business Finland:

<https://www.businessfinland.fi/en/for-finnish-customers/online-services/>

The application must be submitted to Business Finland before the applicant makes a binding agreement on the project or begins to implement the innovative method. The application must include all essential information on the project and a qualitative description of the innovation.

Reporting and disbursement

The accountable project leader must submit reports on the project's progress and send the project's cost statement using the online service. An auditor's report must be submitted as part of the final cost statement. With each report, the recipient must submit a cost statement or extract from the general ledger on the costs involved in the innovative elements of the activities mentioned in the project plan.

The Funding Agency will provide the funding on the basis of approved reports and cost statements. The aid will not be paid before a binding contract has been concluded for the project. Payments shall be made in accordance with the schedule specified in the funding decision on the basis of the project's stage of completion. At least 20 percent of the aid will be paid after the final report has been approved, on the basis of the costs indicated by the recipient and confirmed and approved by the auditor in the auditor's report. The beneficiary must apply for the final funding instalment from the funding body when submitting the final project report and the final cost statement. Any funding that the recipient applies for after that will not be granted.

The beneficiary must submit an application to the Funding Agency in advance if the project deviates from the original project plan.