

Best Practice #4: Heat fund

Name:	Heat Fund – ADEME
Geography:	France
Organization interviewed:	ADEME
Organization interviewing:	Energy Cities
Website:	https://fondschaleur.ademe.fr
Category:	Financial support
Description:	<p>The Fonds Chaleur provides funding for renewable and recovered energy (RE&R) heat generation projects as well as heating and cooling networks related to these facilities.</p> <p>During the period 2009-2020, the Heat Fund was endowed with €2.6 billion to support more than 6,000 projects representing €9.4 billion of works and a total production of R&R heat of 35.5 TWh/year (i.e. more than 3 million toe/year). It has also been recognised for its effectiveness by the Court of Auditors. These factors have motivated the continuation of this scheme to support quality projects, from their conception to their completion.</p>
Questions:	
1. Could you briefly explain how the Heat Fund work and its recent evolution? And, in particular, its decentralised governance?	
<ul style="list-style-type: none">- The Heat Fund (Fonds de Chaleur) serves as a pivotal tool in France's pursuit of achieving its target of 38% renewable energy in heating. It's important to recognize that the Fonds de Chaleur is just one component among several tools, including regulatory frameworks and tax policies, employed to reach this objective.- Established in 2009 and managed by ADEME, the Heat Fund is dedicated to advancing renewable heat solutions. Its scope extends to local authorities and businesses, encompassing various technologies such as heating networks, biomass, geothermal energy, methanisation, solar thermal energy, waste heat, and heat pumps.- Since its inception, the Heat Fund has supported over 7,000 renewable energy projects, providing €3.7 billion in aid and catalysing a total investment of €12.6 billion.- The budget allocated to the Fonds Chaleur has been steadily increasing, reaching a record €600 million in aid for 2023 and earmarking €820 million for 2024.- The Fonds Chaleur offers comprehensive support for projects, including advice, on-site coordination, aid for feasibility studies and heating master plans, as well as project management assistance. Additionally, it provides investment aid across the supported sectors.	

2. Can you explain its decentralised governance? How do regions allocate the fund to the projects?

- Companies and local authorities collaborate closely with ADEME's regional offices, which offer guidance and assistance in accessing funding. **Project sponsors submit their applications through a national online platform**, which are then processed regionally in collaboration with the project promoters.
- Eligibility criteria are established at the national level and encompass various aspects such as prior studies, building performance standards, equipment size, renewable energy utilization, monitoring requirements, and air quality considerations for biomass projects. To streamline the process for small-scale projects, lump-sum payments are available to alleviate the need for multiple economic studies.
- For small-scale projects that don't meet standard criteria, ADEME has introduced renewable heat contracts, known as heritage and territorial CCRs. These contracts encourage project sponsors, often inter-municipalities or energy syndicates representing local authorities, to consolidate their projects into clusters, thereby enhancing their interaction with ADEME as intermediaries.
- Furthermore, national-level calls for projects are managed to prioritize large-scale initiatives. Notable calls for projects include Biomass Heat Industry Agriculture Tertiary (BCIAT), Biomass Heat Wood Industry (BCIB), and Large Surface Solar Thermal (GIST). Additionally, other funding sources like France 2030 (formerly known as Relance) contribute to increasing the allocated budgets.

3. Why is this fund appreciated by the users? Is the application process simple?

The project leaders appreciate several aspects of the process:

- **Flexible Application Handling:** ADEME manages applications at the regional level in real-time, rather than strictly through formal calls for projects (except for national calls). This approach fosters an iterative process and establishes close relationships with project developers.
- **Comprehensive Support from Idea to Implementation:** The Fonds Chaleur provides extensive support throughout the project lifecycle, from conception to execution. It serves as more than just a one-stop shop, offering tangible assistance to inexperienced project developers, facilitating project initiation.
- **Long-Term Durability and Prominence:** Established in 2009, the Fonds Chaleur demonstrates longevity and prominence. It features prominently in national energy strategies, legislation, and media promotion. This visibility familiarizes project developers with its existence, and its long-term nature ensures ongoing support.
- **Simple and Transparent Application Processes:** Application mechanisms are straightforward and transparent. Project developers can easily assess their eligibility through a simple questionnaire before submitting their applications.
- **Adaptability to Project Needs and Context:** The Fonds Chaleur adapts to the needs and feedback of project sponsors, taking into account various factors such as requests, context (including impacts of Covid, recovery plans, and gas resilience plans), and preferences for small-scale projects.

1. Can you list at least 3 key success factors that have made this project successful?

- Regional Operations and Iterative Collaboration between ADEME and Project Leaders
- Comprehensive Support from Conception to Completion: Guidance provided throughout the entire project lifecycle, from initial idea to final implementation.
- Political Backing: Acknowledgement, Longevity, and Increased Budgetary Support
- Technical Standards: Assistance for projects employing reliable technologies, ensuring functional infrastructure, competitiveness, and providing reassurance to project sponsors.