Joint European Forum for IPCEI

9th technical meeting

Brussels, 4 March 2026

Some questions we will answer

- What is a funding gap?
- What role does it play in State aid assessment?
- What are a funding gap's major components?
- How to calculate a funding gap?
- Commission's funding gap templates to help prepare and assess projects
- Points of attention when filling in the template

- Q&A at the end (15-20 minutes)

Projects with a funding gap

- In some circumstances, projects valuable to society may not be undertaken if solely left to market forces
  - Not attractive enough in financial terms, i.e. not sufficiently profitable
  - IPCEIs are good examples of such projects
- Such projects are characterised by a funding gap (i.e. a financing shortfall)
  - For the project to be undertaken, public support is needed
  - State aid is **necessary** to bridge the funding gap
- If a funding gap is present, the project is eligible to receive aid, provided all other applicable conditions set out in the IPCEI Communication are fulfilled

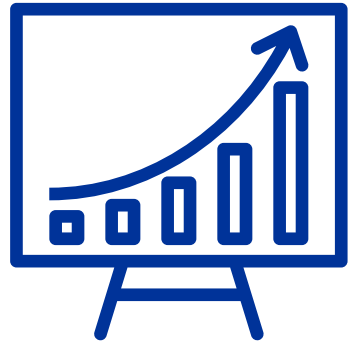
Funding gap in State aid assessment of IPCEI projects

- Funding gap assessment constitutes an essential part of the Commission's assessment of the necessity and proportionality of aid under the IPCEI Communication
- Funding gaps are used to determine:
  - **whether the aid is at all necessary** for the project to be undertaken (question: is there a funding gap?) and, if so,
  - **how much aid is needed** (question: how big is the funding gap?)
- In particular, the IPCEI Communication imposes two cumulative constraints on the amount of aid that can be granted to a project:
  - Aid should not exceed the funding gap: **(discounted) aid amount ≤ funding gap**
  - Aid should not exceed eligible costs: **(nominal) aid amount ≤ total eligible costs**
- Under the IPCEI Communication, aid can be given up to 100% of a proven funding gap

What is a funding gap? A technical definition

- In financial terms, the funding gap equals the **sum of the project's discounted cashflows** (positive and negative) over the lifetime of the project
- All project's cashflows are **discounted** to their present value in the chosen valuation year using the company's **Weighted Average Cost of Capital** (WACC) as discount rate:

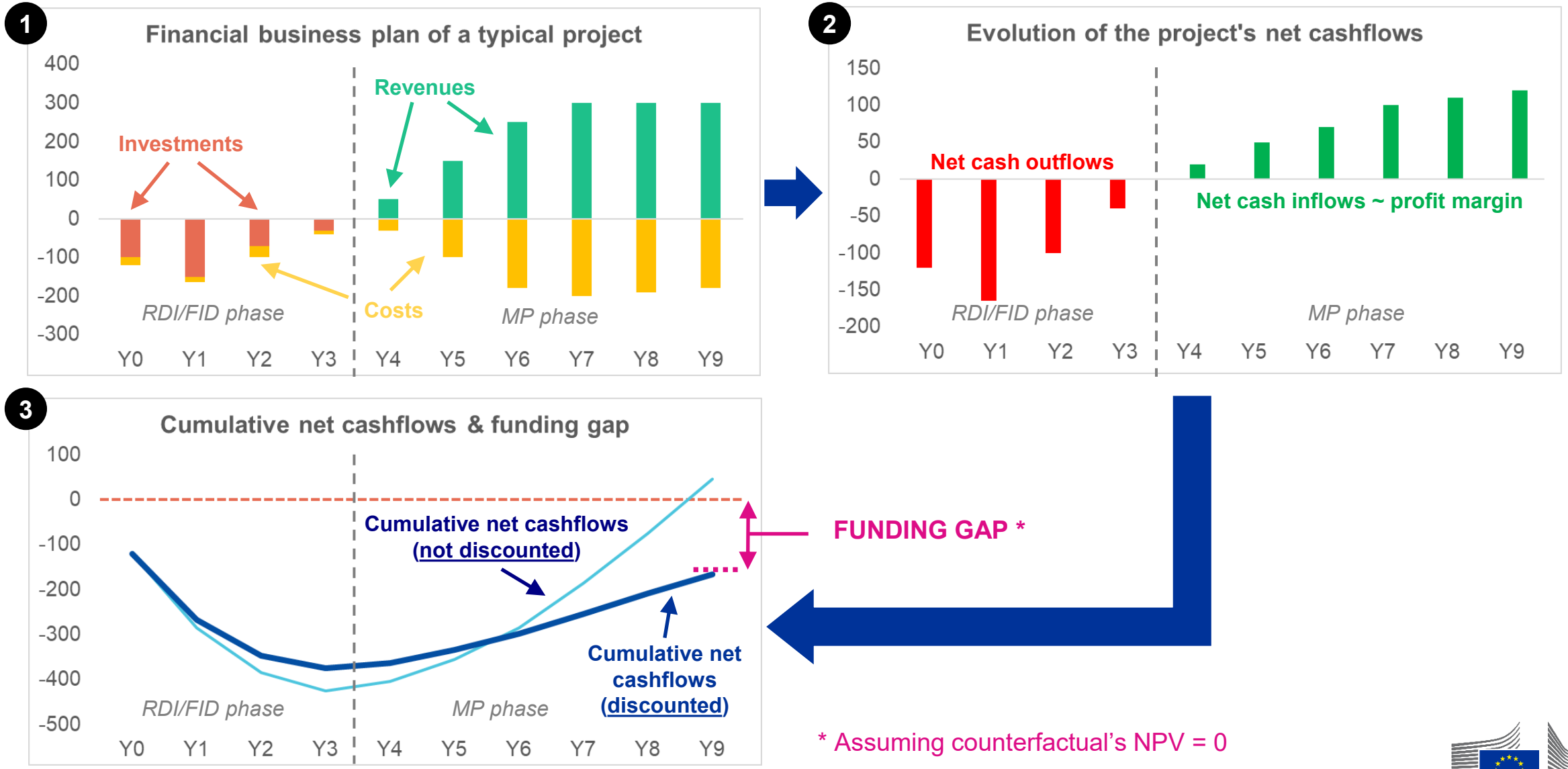
$$NPV = \sum_{t=0}^{n} \frac{Cashflow_t}{(1 + WACC)^t}$$



- If this sum – which equals the project's **Net Present Value** (NPV) – is **negative**, the project is characterised by a funding gap and can be eligible for funding

How does a funding gap emerge?

Example for an IPCEI RDI/FID project

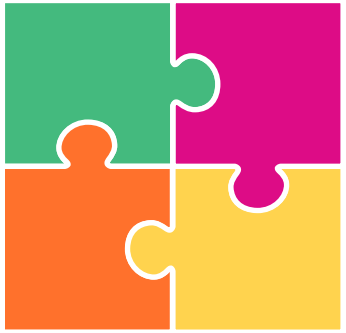


* Assuming counterfactual's NPV = 0

** RDI = Research, Development & Innovation; FID = First Industrial Deployment; MP = Mass Production*

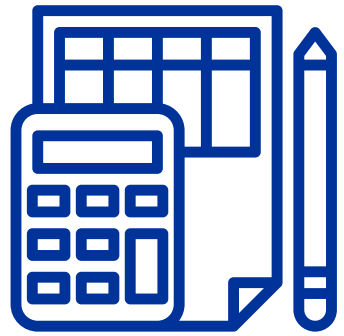
Main components of a funding gap

- Capital expenditure (**CapEx**), operational expenditure (**OpEx**) and **revenues**:
  - Clear assumptions, evidence-based (e.g. offers, market studies, forecasts)
  - CapEx for RDI/FID: only depreciation of buildings and equipment is eligible
- Weighted average cost of capital (**WACC**) used as discount rate:
  - Should be equal to company's WACC or calculated based on sectoral data (cf. website of prof. Aswath Damodaran)
  - No project-specific risk premia as it is considered that aid de-risks projects
- **Terminal value**, i.e. remaining value of the project at the end of the forecast period:
  - Should not be negative
  - When the Gordon growth formula is used, **growth rate** chosen should be justified



The funding gap template for IPCEI projects

- An Excel file with several worksheets in which project companies need to insert their **financial projections and assumptions** based on a pre-established format to calculate the project's funding gap and eligible costs
- It is intended to help companies to present their projects within integrated IPCEIs and complements the general IPCEI Project portfolio template
- How does it help?
  - It outlines the financial data necessary to identify the projects' funding gap
  - It clarifies which data are needed and how it should be presented, releasing companies from the need to structure it themselves, and reducing the risk of errors
  - It includes formulas linking the data, allowing for an immediate calculation of the project's (negative) NPV, i.e. the funding gap
  - It also facilitates project assessment by DG COMP, to the extent that calculations are clear and the necessary supporting information is provided, as well as automated data collection and overall IPCEI consistency
- A dedicated **'Guidance' tab** with instructions is available to help Member States and companies navigate and fill in the template



Where can I find the Commission's funding gap templates?

- Available for download on Commission website: https://competition-policy.ec.europa.eu/state-aid/ipcei/guidance-templates_en?prefLang=da
- Two templates published so far*:

Relevant for most of the upcoming IPCEIs – focus of today's presentation

** All templates may be subject to further updates and clarifications.*

The funding gap template for IPCEI RDI/FID projects

General assumptions	(this information must be filled in for the rest of the file to work)

Please update the general assumptions as they best fit your project. The data inserted in the cells B18:B24 and B26:B27 below are just examples.
Please enter these data before filling the rest of the worksheet: the columns will automatically adjust to the duration indicated in these cells.

Valuation year	2024
First year of RDI phase	2024
Last year of RDI phase	2027
First year of FID phase	2028
Last year of FID phase	2029
First year of MP phase	2030
Last year of projections	2085
Depreciation	
Useful life of instruments / equipment (in years)	10
Useful life of buildings (in years)	30
WACC (weighted average cost of capital)	
Inflation rate	
Tax rate	

The WACC is calculated in tab "WACC"

You may use these cells to enter parameters used in your model

Project's timeline

LEGEND	
	cells contain built-in formulas & links - do not modify
	cells contain built-in formulas but can be modified
	cells need input data

Projections should cover the entire project's duration / product's lifecycle

Calculation: NPV of the factual scenario

Project phases		RDI	RDI	RDI	RDI		FID	FID								
									MP	MP	MP	MP	MP	MP	MP	
	Total	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**		
1 - Costs for Research & Development & Innovation (RDI)																
1a) Feasibility studies, costs of obtaining the permissions required	0.00M															
1b) Costs of instruments / equipment	0.00M															
→ *Depreciation of instruments / equipment*	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M		
1c) Costs of acquisition / construction of buildings, infrastructure and land	0.00M															
→ *Depreciation of buildings and infrastructure*	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M		
1d) Costs of materials / supplies	0.00M															
1e) Costs for patents / intangible assets / contractual research	0.00M															
1f) Personnel / administrative costs including overheads	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M		
→ *Of which personnel costs*	*0.00M*															
-> *Underlying number of person-months*	*0*															
→ *Of which administrative costs (including overheads)*	*0.00M*															
1h) Other costs	0.00M															

***Type of costs**: costs for feasibility studies, instruments and equipment, buildings, materials, patents/intangible assets, personnel and others costs → "other costs" must be seen only as a **residual** cost category*

The funding gap template for IPCEI RDI/FID projects

Revenues *should reflect the project's* ***realistic scenario****. Assumptions must be clearly described in the Project portfolio and underlying calculations provided in a separate worksheet*

3 - Costs for Mass Production (MP)														
3a) Feasibility studies, costs of obtaining the permissions required	0.00M													
3b) Costs of instruments / equipment	0.00M													
→ *Depreciation of instruments / equipment*	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M
3c) Costs of acquisition / construction of buildings, infrastructure and land	0.00M													
→ *Depreciation of buildings and infrastructure*	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M
3d) Costs of materials / supplies	0.00M													
3e) Costs for patents / intangible assets / contractual research	0.00M													
3f) Personnel / administrative costs including overheads	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M
→ *Of which personnel costs*	*0.00M*													
-> *Underlying number of person-months*	*0*													
→ *Of which administrative costs (including overheads)*	*0.00M*													
3h) Other costs	0.00M													
Cost of sales (depreciations included)	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Costs cash-flows	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Main revenue	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M
Sales Volume	*0*													
Unit Price	*0*													
Other revenue	0.00M													
Total revenue	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
EBIT (Earnings before interest and taxes)	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Taxes	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M	0.00M
Changes in Net Working Capital	0.00M													
Terminal Value	**0.00M**													
Terminal Value - discounted to valuation year	0.00M													
Cash-flows	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Sum of Nominal Cash-flows	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Discounted Cash-flows	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Sum of Discounted Cash-flows	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**	**0.00M**
Note that cells B100:B103 include the terminal value														
Net Present Value of the Factual scenario	**0.00M**													
Financing need in nominal terms	**0.00M**													
Financing need in discounted terms	**0.00M**													
Private funding share (discounted, %)	**0.00%**													

Taxes *should in principle be calculated* ***in all years of projections****, including years of negative EBIT as it is considered that the project's negative EBIT can offset taxable income from the company's other activities, thus reducing overall taxes*

Red flags when filling in the funding gap template

- Profitable projects, i.e. projects with a positive NPV → no need for aid
- Economically unsustainable projects showing:
  - No revenues at all
  - Consistently negative EBIT during the mass production phase
  - A negative Terminal value
- High revenues before the start of mass production (no/limited revenues during the RDI and FID phases)
- Understated revenues: e.g. projections ending at peak of sales
  - Funding gap should cover the entire product's lifecycle or project duration
  - Projections should reflect a realistic scenario (not overly optimistic nor pessimistic) and be credible
- Cost and/or revenue assumptions not supported by evidence
- Outlier values when comparing to similar projects (e.g. WACC)

Filling in funding gap templates: dos and don’ts

Do’s:

- Add extra worksheets to detail underlying calculations for main costs and revenues assumptions
- Include in the Project portfolio explanations on assumptions and calculations outlined in the Funding gap template & ensure full consistency between both files
- Submit evidence supporting assumptions (e.g., internal analysis and/or external sources where available)
- Use formulas showing how estimates were done

Don’ts:

- Attempt to by-pass protected content
- Copy-paste the template into another file to alter its formulas or structure
- Merge or combine multiple templates
- Use hard-coded figures (e.g. unusual decimal precision may indicate reverse engineering)

⚠ These practices hinder automated data collection

How to cater for uncertainty of projections?

- The funding gap calculation should be based on **credible future projections or estimates**, which **can be uncertain**
- While **ex-ante projections** must be based on best estimates and are scrutinised by the Commission, **ex-post developments** might differ from the initial projections
- Point 36 of the IPCEI Communication provides for the possibility to implement a claw-back mechanism:

  "As an additional safeguard to ensure that the State aid remains proportionate and limited to the necessary, the Commission may request the notifying Member State to implement a claw-back mechanism"

- In practice, all Member States participating in an IPCEI agree on **joint claw-back mechanism** covering all projects under the IPCEI – the claw-back mechanism may only apply to aid amounts **above a certain threshold**

Claw-back mechanism to ensure proportionality as well as performance incentive for the beneficiary

- A project can be **more profitable than forecasted** because of higher-than-expected revenues, lower-than-expected costs or faster implementation
- If projects exceed the ex-ante projections, it is equitable for taxpayers to share in the additional, unexpected gains through the claw-back mechanism
  - To ensure ex-post **proportionality** of the aid
  - To **reduce incentives for inflating the funding gap**, thereby further ensuring ex-ante proportionality
- At the same time, the mechanism should ensure a performance incentive for the beneficiary
  - The beneficiary remains entitled to a share of the additional unexpected profits

European Commission

Any questions?

Thank you

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The funding gap template – WACC calculation

WACC components	Value	Source(s)
E = Equity		
D = Debt		
rf = Risk free rate		
Unlevered beta		
ERP = Equity Risk Premium		
DP = Debt premium		
T = Tax rate		

WACC calculation	Result	Formula
β = equity beta		$\beta = Unlevered\ Beta * (1 + D/E * (1 - T))$
Cost of Equity		$(r_f + \beta * ERP)$
E/(D+E)		
Cost of Debt (after tax)	0.00%	$(r_f + DP) * (1 - T)$
D/(D+E)		
WACC		

- Applicants need to justify their assumptions for the WACC parameters in the funding gap template
- Values indicated should be based on most recent available data
- Sources should be provided for each parameter
- No project-specific risk premia should be used as aid de-risks projects

The funding gap template – Terminal value

Terminal value methodology	1. Gordon Growth Formula
Terminal value	

Terminal value calculation	Value	Source(s)
1. Gordon Growth Formula		
g		
WACC		
CF_T	**0.00M**	
EBIT in the last year	0.00M	
depreciation in the last year	0.00M	
taxes in the last year	0.00M	
normalized CAPEX		
2. Exit multiples		
Please add as many rows as needed for the underlying calculations		
3. Other methodology (if properly justified)		
Please add as many rows as needed for the underlying calculations		

- Gordon Growth formula proposed as standard methodology
- Other methodologies are available but their use should be justified
- Growth rate chosen must be justified
- Terminal value should not be negative

The funding gap template - counterfactual scenario

- Factual scenario: what the company would do if it receives aid
- Counterfactual scenario: what the company would do if it does not receive the aid (e.g. same project but later, more slowly or scaled-down, no project)
- If, in accordance with point 32 of the IPCEI Communication, the counterfactual scenario consists in the **absence of an alternative project**, it is assumed in the tab "Counterfactual scenario" that the NPV of the counterfactual scenario is zero