

Scottish Zero Emission Bus Challenge Fund (PHASE 1) – Guidance For Participants

The Scottish Zero Emission Bus Challenge Fund (ScotZEB)

1. The aim of the ScotZEB Challenge Fund is to support swift, and significant, change in the bus market in favour of zero-emission technologies. This will support the Scottish Government's purpose to create sustainable and inclusive growth. In particular, the fund aims to support the National Outcomes relating to the Economy, the Environment, and Fair Work and Business.
2. By supporting the swift transition to zero emission vehicles and infrastructure, the fund will help to achieve targets to reduce greenhouse gas emissions, contribute to the delivery of Low Emission Zones, encourage inward investment and growth in the supply chain of zero carbon vehicle and energy solutions in Scotland, with associated employment, economic and social benefits.
3. ScotZEB is a new challenge fund focussed on supporting innovative business models designed around the characteristics and opportunities presented by zero emission buses (ZEBs) and associated charging or refuelling infrastructure. Bidders are strongly encouraged to put in place arrangements with partners or collaborators to minimise the level of subsidy being requested. This may involve, for example:
 - collaborations across multiple bus operators to get the financial benefits of scaled demand for new buses;
 - collaborations with non-bus vehicle operators or Local Authorities to get the benefits of scaled up demand for hydrogen;
 - partnerships between energy companies, operators and financiers to use the charging infrastructure to generate new revenue streams;
 - partnerships between financiers, manufacturers to purchase buses for leasing to operators;
 - or a range of other possibilities.
4. **All applications must be received by Scottish Government no later than 29 November 2021.**
5. Subject to review of Phase 1, Phase 2 will open for applications in April 2022. The maximum subsidy rates for both buses and infrastructure will be lower in Phase 2, and other changes from Phase 1 may also be made. There is no commitment to subsidise zero emission buses beyond the ScotZEB Challenge Fund.

Bus Financing

6. Long term financing that spreads the higher up front purchase costs of a zero emissions bus and associated infrastructure over the life of the bus (to align debt servicing with the lower running costs), and shares the risks appropriately

according to which parties are best placed to absorb these risks, are strongly encouraged as a way of driving down the level of subsidy required. Participants in the Challenge may wish to consider information given in the [‘Zero Emission Bus Financing Ideas Pack’](#).

7. Bidders are required to specify the arrangements for financing the purchase of the bus and infrastructure and how the grant is being deployed within this structure. The lead bidder may be the finance provider, but where the lead bidder is a different body, involvement of the finance provider in the bid is encouraged. Full details of the financial arrangements (including term sheets) should be included within the bid. Any arrangement with a finance provider must ensure that the benefit of the grant is fully reflected in the financing terms received.
8. Bidders must ensure that financing arrangements fulfil the grant conditions including the provision that buses must be deployed on registered local bus service routes in Scotland for a minimum of 5 years.

Rules of the fund

Who is eligible?

9. Any party acquiring buses to run on registered local bus services, can participate in this challenge. Multiple companies under the same ownership/parent group will be considered as one company for the purposes of ScotZEB, although they may submit separate bids.
10. Partnership bids are strongly encouraged and will need to define the lead bidder and how the parties will work together in the event of a successful application. Regional Transport Partnerships (RTP) may bid, or coordinate a bid from the areas they cover. Local authorities may still apply as a separate entity, even where the relevant RTP is bidding.

What is eligible?

11. This is a technology-neutral outcomes-focussed programme. All new ZEBs and related infrastructure will be eligible for funding, if they meet the rules set out in this guidance.
12. To qualify as a ZEB, a bus (includes a minibus or coach) is likely to be powered by electricity or hydrogen. Zero emission heating must be used to heat the vehicle saloon as buses with diesel or other CO₂ emitting heating systems would not qualify as ZEBs under this fund. The bus must be zero emission at the tailpipe with Ultra Low Emission Bus (ULEB) or Zero Emission Bus certification from the Zemo Partnership or an equivalent independent certifying authority approved by Transport Scotland.
13. Bids will only be accepted for new buses which must have a 5-year minimum warranty on any battery and electric drive train.

14. Buses must be operated on registered local bus services in Scotland for a minimum of 5 years. A registered local bus service is one which is available to members of the general public, has scheduled stopping places, a clear, easily accessible timetable and route map, and has been registered with the Office of the Traffic Commissioner.
15. For infrastructure, Transport Scotland will contribute funding towards the capital expenditure incurred as a result of its purchase and installation. Examples of the infrastructure most likely to be applied for under this fund are standard, fast, rapid conductive and inductive charging equipment, and hydrogen re-fuelling systems.
16. The capital cost can include surveys at the point of procuring the infrastructure provided that these are capitalised. The eligible expenditure also includes (but is not limited to):
 - cost of charging unit or refuelling station
 - electrical or other power components
 - civil engineering works
 - labour costs (for installation)
 - hardware costs
 - capital costs of developing associated software systems
 - the capitalised cost of surveys at the point of the infrastructure procurement
17. We recognise, for battery electric buses, that the installation of charging infrastructure may require upgrades to the grid to cope with additional charging requirements. It is expected that bidders will adopt innovative solutions that may help to reduce the cost of these upgrades including, but not limited to: use of financing (i.e. charging as a service), smart charging, opportunity charging, energy storage and community energy generation.
18. Bidders are strongly encouraged to make charging and refuelling infrastructure available to other fleet operators, businesses or private households, and should consider how funding streams from this activity could reduce the requirement for financial support from Government.

BEAR

19. In order to facilitate the earlier adoption of ZEBs operators may want to sell or repurpose a vehicle retrofitted through the Bus Emissions Abatement Retrofit (BEAR) programme if it will be replaced by a ZEB. The bid form for ScotZEB includes a section for information about any buses previously funded through BEAR which you intend to replace with a ScotZEB funded bus. Operators will require consent with respect to replacing those buses within the 5 year commitment term. Transport Scotland will contact successful ScotZEB applicants regarding any BEAR buses notified in the application.

What is ineligible?

20. Bids for projects and purchases already in place prior to making the ScotZEB application.
21. Bids for infrastructure only that will not be used to charge or refuel buses (though please note that the infrastructure may support charging or refuelling of other vehicles in addition to buses).
22. Buses that are zero emission capable (able to operate in emission-free mode for short periods) but which are not zero emission at the tailpipe are **not** eligible. Buses powered by biogas or biofuel are **not** eligible.
23. Bids to retrofit buses with technology to be zero emission are **not** eligible.

What evidence is required to confirm that a bus is a ZEB?

24. An ULEB or ZEB certificate (or an approved equivalent) will be required in support of all bids for each bus type purchased. The Zemo Partnership have developed some ULEB and ZEB definitions and an accreditation process, and a certification of compliance is provided as each bus type is tested. See <https://www.ZemoPartnership.org.uk/Hubs/>
25. The Zemo Partnership are currently developing a Zero Emission Bus certification scheme. For more information see <https://www.zemo.org.uk/work-with-us/buses-coaches.htm>
26. If the leader bidder is not a manufacturer, please note that the manufacturer should be able to provide the lead bidder with the relevant certificates for the buses for which subsidy is being bid.
27. Where buses do not have ULEB or ZEB certification, evidence is required to support the claim of zero tailpipe emission levels, which states that if certification has not yet been provided, the manufacturer and the certifying authority agree that the bus can be treated as certified as an interim following confirmation of a booked test date.
28. Transport Scotland may make an offer of grant (subject to its wider assessment), but no funds will be paid out until an ULEB or ZEB certificate (or an approved equivalent) has been sent to Transport Scotland.

How much funding is available?

29. There is a maximum of £50 million total funding available for this first phase of the ScotZEB Challenge Fund. The Scottish Government is not committed to awarding the full budget available, and will only award funds to bids that meet the criteria.
30. The subsidy provided per bus will be no more than the cost difference between the ZEB and its diesel equivalent **and** no more than

- £80,000 for a ZEB with at least 9 passenger seats and at least one wheelchair accessible space.
- £140,000 for a ZEB with a total capacity for 32 or more passengers.
- £180,000 for a battery-electric ZEB with at least 45 seats and a maximum theoretical range of at least 310 km.
- £180,000 for battery-electric ZEB with a total capacity for 60 or more passengers
- £230,000 for a hydrogen fuel-cell ZEB with at least 45 seats and a maximum theoretical range of at least 310 km.
- £230,000 for a hydrogen fuel-cell ZEB with a total capacity for 60 or more passengers.
- 75% of the capital costs for electric charging infrastructure.
- 85% of the capital costs for hydrogen refuelling infrastructure.

31. Responsibility for estimating and controlling all costs lies entirely with the bidder. Bidders must take on any risk to costs and factor that into their bid from the start.

When is the funding available?

32. The Grant funding is available in financial years ending 31 March 2022, 31 March 2023 and 31 March 2024.

33. Grant claims will only be accepted once an order contractually committing to the purchase of a bus and/or supporting infrastructure has been made and evidence of expenditure has been submitted. Grant payments will be released no sooner than one month prior to invoice payment due dates.

34. Buses grant aided under individual awards from this ScotZEB round should begin to come into service no later than 12 months from the order date and all buses should have come into service by 31 December 2024.

35. With the exception of circumstances outwith the control of the bidder, infrastructure work should be completed no later than the earlier of 12 months from the agreed contract date or 31 December 2024.

Other sources of Funding

36. The maximum grant level represents the maximum level of Scottish Government or other public funding aid allowable for ScotZEB. Scottish Government will operate ScotZEB in accordance with the United Kingdom's obligations in relation to subsidy control under Chapter 3 of Title XI of the EU-UK Trade and Cooperation Agreement (as well as other international agreements to which the UK is subject, including arising from membership of the WTO).

37. No other forms of Scottish Government or public aid can be used towards the same eligible costs beyond these limits.

38. Buses acquired through ScotZEB are not eligible for any additional revenue funding as offered under the previous Scottish Ultra-Low Emission Bus Scheme (SULEBS).
39. All bids must identify the sources of all funding being used. Bidders must ensure that the way they fund their project is compatible with WTO FTAs, especially if receiving aid outwith ScotZEB. Where aid is received from more than one public source for the same eligible costs, the bidder must notify this to Transport Scotland to ensure the maximum aid intensities allowable under this fund are not exceeded.
40. Bidders must confirm they are not currently the subject of a recovery order following a decision by a court, or other competent body (including international bodies such as the European Commission, or panel or committee constituted under the EU-UK Trade and Cooperation Agreement) declaring any subsidy incompatible with the EU-UK Trade and Cooperation Agreement or any other international or domestic legal obligation relating to subsidy control. Should the bidder become subject to a recovery order during the period of the grant they must notify Transport Scotland immediately and no further aid will be made whilst the recovery order is in force.

Applicants capacity and long term viability

41. To ensure that applicants have the financial capacity to deliver services over the 5-year assessment period, Transport Scotland will conduct a financial standing evaluation. This may include an assessment of the financial information available on the applicant.
42. If applicants fail the evaluation a parent company guarantee or other support may be sought. Where this was not forthcoming, we would be unable to make an offer of grant.

Monitoring and Evaluation

43. One of the stipulations of receiving ScotZEB funding is that operators will be required to submit data as part of a longer term data monitoring project run by Transport Scotland. This data will facilitate further research with the aim of encouraging further take up of ZEBs in the industry. Full details of the data required will be set out by Transport Scotland.

Assessment Criteria

44. Transport Scotland will assess bids in line with the following 2 criteria including the 4 sub-criteria:

a) Wider Benefits

Community Benefit

45. Bidders should be creative and innovative in finding ways that the bid will deliver wider benefits, over and above those of a zero emission bus services. Information should be given on the role of each partner in the bid (and their involvement in the proposed supply chain) in terms of delivering these wider benefits.
46. For example, the bid may incorporate elements designed to create/retain jobs or enhancing economic development, including in the local area; collaboration with education and research institutions, additional apprenticeship programmes or novel propositions for end of life battery use.

Air Quality

47. Bids which demonstrate that new buses will operate regularly on roads currently suffering from poor air quality i.e. on a route covering roads in regular exceedance of statutory limits of NO₂, will score more highly for wider benefits. Bidders may also wish to consider whether using the bus on other roads can indirectly achieve air quality improvements, for example by adding services to a new or existing park & ride scheme.

b) Financial

Subsidy per bus

48. Bids requesting less funding than the allowed maximum for their bus class will receive a higher score. Each bid will be ranked relative to their percentage saved against the allowable maximum, with the highest percentage saving receiving a score of 4 and zero being considered no savings. All other bids will receive a score relative to their position from the highest and zero savings, with the midpoint being a score of 2.

Infrastructure

49. Non-contestable costs will be removed for the purpose of scoring the infrastructure. These are costs with a fixed market price such as reinforcement and connection works provided by the distribution network operator.
50. The bidder should fully justify the value for money of infrastructure sought. They should indicate why the chosen infrastructure has been selected as the most appropriate. Bids that incorporate the benefits of the infrastructure being used by other vehicles will score higher.
51. Bids should demonstrate if and how the infrastructure spend will support any zero emission buses (or other vehicles) that are planned for the future, as well as the vehicles that are directly included in the current bid. To demonstrate this

bidders must explain how many buses the infrastructure sought will be expected to support and when.

52. The panel will assess the infrastructure bid using the amount of money being requested, the percentage of the total contestable cost being requested, and the value for money that the infrastructure provides.

Assessment of bids

53. Bids will be assessed by a panel of experts.

54. The panel will award marks of zero to four against each of the sub-criteria.

55. Each mark out of four will then be weighted according to the percentages allocated to their criteria to give a final mark.

56. If there is an infrastructure component to the bid then the financial score will be a weighted combination of the cost per bus and infrastructure financial sections. The weighting applied will be the share of each component of the total bid (excluding any non-contestable costs for infrastructure).

*[Example: If an applicant bid £100,000 for all buses, and £50,000 for contestable infrastructure with a total score of 3 for the bus component and 4 for the infrastructure component. Then the financial score would be $\frac{100,000}{150,000} * 3 + \frac{50,000}{150,000} * 4 = 3.33$]*

Criteria (weighting)	Sub-Criteria (weighting within criteria)
Wider Benefits (20%)	Community Benefit (80%) Air Quality (20%)
Financial (80%)	Subsidy per bus (see point 56) Infrastructure (see point 56)

Application Process

57. If you would like to participate in the challenge, please fill in the application form (Annex A), and supporting table (Annex B), available [online](#).

58. Applicants should complete all sections as explained on the form and this should be accompanied by any necessary supporting material/evidence. All applications to the fund will be assessed against the criteria set out above.

Submission of Bids

59. Bids need to be submitted by **midnight 29 November 2021**. We intend to inform successful applicants from w/c 27 December 2021.

60. Please submit your bids by email to ScotZeb@transport.gov.scot by sending a **word document** copy of the completed bid application form and all other supporting evidence to [the same email address](#).

61. You must provide the following alongside your bid application form:

- if you are an operator of bus services a signed declaration that you hold a current PSV licence and operate registered local bus services;
- quotes from the manufacturer(s) detailing the specifications and costs for the ZEBs and diesel equivalent;
- confirmation of bus warranty of at least 5 years;
- quotes detailing the specifications and costs for infrastructure;
- a certificate from the manufacturer proving the vehicle is a ZEB;
- where your bid is based on manufacturer-predicted performance, evidence from the manufacturer setting out how and when the bus is expected to be tested, and verifying it meets the requirements of a ZEB.

Enquiries

62. If you have any questions about this guidance or application process please email Transport Scotland at ScotZeb@transport.gov.scot