

ScotZEB 2 – 2023/24

Guidance

Overview

1. There is a global climate emergency, and we all have a part to play in tackling it. Buses and coaches are currently one of the most climate-friendly transport choices people can make and as we work to encourage more people to leave the car at home, it is important that buses and coaches maintain that position.
2. The Scottish Government wants to help by supporting the bus and coach operators, manufacturers, financiers and the energy sector work together to make the market for zero emission vehicles and infrastructure self-sustaining, such that the sector can continue to decarbonise at pace without the need for further taxpayer support after this round of funding.
3. Therefore, the Challenge for applicants is to make the biggest possible impact in creating a self-sustaining zero-emission bus and coach market while requiring the smallest possible subsidy per-bus and per element of infrastructure.
4. Alternative methods of delivering zero emission buses and coaches were explored by the Bus Decarbonisation Taskforce and are set out in the [Bus Financing Information and Ideas Pack](#).

Eligibility

Eligible Bodies

5. Bids from consortiums comprised of bodies from the following categories are eligible:
 - Financiers
 - Manufacturers of zero emission buses and coaches
 - [Charge Point Operators \(CPOs\)](#)
 - Energy companies
 - Bus and coach [Passenger Service Vehicle \(PSV\) Operators](#) in Scotland
 - Scottish local authorities and Regional Transport Partnerships
 - Community Transport Organisations based in Scotland, holding a Section 19 and/or Section 22 community transport permit and providing Transport to health and social care and other community transport services
 - Other organisations relevant to decarbonising buses and coaches in Scotland.
 - Other road transport operators wishing to share infrastructure, e.g. HGVs, vans (these must be in addition to at least 2 SME bus/ coach operators and will not receive the vehicle element of funding)

6. Only consortium bids will be considered.
7. Consortia do **not** need to include all of the above.
8. Consortia **do** need to include:
 - at least 1 company providing private finance,
 - and**
 - at least 2 SME bus or coach operators, and/or 2 community transport operators.
9. The lead applicant will be the sole body which directly receives grant funding.
10. Operators/subsidiaries under the same ownership/parent group will be considered as one company for the purposes of ScotZEB2.
11. An SME is defined as having total staff headcount lower than 250 employees and either turnover being under €50 million per annum, or a balance sheet total value less than €43 million.
12. Applications should clearly state which organisation is the leading applicant, and how the other participants will work together in the event of a successful application.

Eligible Costs

Vehicles

13. For the purposes of this Fund, an eligible vehicle is a bus or coach which has only a zero emission powertrain.
14. Heating systems for the saloon and drivers' cab heating must also be Net-Zero compliant.
15. Our support for the purchase of new buses and coaches will be, where appropriate, conditional on space being available for bike transport in addition to wheelchair and buggy space. Where operators are seeking vehicles without this provision, a credible, robust case which clearly demonstrates why such provision is inappropriate should be set out.
16. Applications will only be accepted for new zero-emission buses or coaches, or to support the repowering of an already owned diesel vehicle to zero-emission compliance. Eligible costs within the subsidy cap include modification to provide wheelchair accessible space in vehicle classes which are not subject to PSVAR 2000 Regulations.

17. The vehicles acquired through this scheme must be operated in Scotland by a PSV operator or provide a community transport service under a Section 19 or Section 22 permit for a minimum of 7 consecutive years.

Infrastructure

18. Transport Scotland will contribute funding towards the capital expenditure incurred as a result of the purchase and installation of zero emission vehicle charging or refuelling infrastructure.
19. The eligible expenditure includes (but is not limited to):
- i. cost of charging unit or refuelling station
 - ii. electrical or other power components
 - iii. civil engineering works related to electrical charging units or hydrogen refuelling installations
 - iv. hydrogen storage tanks and dispensers
 - v. labour costs (for installation)
 - vi. hardware costs
 - vii. capital costs of developing associated software systems
 - viii. the capitalised cost of surveys at the point of the infrastructure procurement
20. It is also expected that bidders will adopt or deploy innovative solutions that may help to reduce the upfront and / or overall cost of installing these upgrades including, but not limited to: charging-as-a-service, or infrastructure-as-a-service, smart charging, opportunity charging, energy storage, community energy generation etc.
21. Applications are encouraged to take a “whole transport system” view to infrastructure investment and look beyond the bus and coach sector when considering those who could benefit, or be impacted, by the installation of charging or refuelling infrastructure.
- Public bodies e.g., NHS Scotland, Further Education bodies and their delivery partners for fleet charging
 - Heavy Goods Vehicle, and van operators
 - Distribution hubs, air and sea ports
 - Emergency Services
 - Network Rail and other railway bodies.

Ineligible Costs

22. The following assets are a non-exhaustive list of costs which are ineligible for funding under the Challenge Fund.
- Vehicles which could not be used to provide Passenger transport for hire or reward, or community transport services.

- Limousines, taxis and private hire cars (PHCs)
- Costs associated with projects and asset purchases already underway prior to making the ScotZEB2 application and / or that has already benefitted from previous rounds of SULEB or ScotZEB support.
- Costs for infrastructure that will not directly be used to charge or refuel buses and/or coaches.
- Buses or coaches which are not fully zero-emission at the tailpipe.
- Installation of parking, laybys, bus terminus loops, mobility hubs and other bus or coach related charging or refuelling infrastructure that is not directly utilised by zero emission vehicles.

Other Requirements

23. [Fair Work First](#) is the Scottish Government's flagship policy for driving high quality and fair work across the labour market in Scotland by applying fair work criteria to grants, other funding and contracts being awarded by and across the public sector, where it is relevant to do so.

The [Fair Work First guidance](#) outlines our Fair Work First approach and exemplifies the seven Fair Work First criteria in practice. The default position is that all grant recipients awarded a public sector grant on or after 1 July 2023 will be required to pay at least the real Living Wage and provide appropriate channels for effective workers' voice as a minimum standard while the other five criteria are encouraged.

- The **lead applicant** must pay at least the real Living Wage to all UK-based staff aged 16 and over, including apprentices, who are directly employed by the lead applicant; and any UK-based workers who are not directly employed by the lead applicant but are directly engaged in delivering the grant-funded activity, whether they be sub-contractors or agency staff, must also be paid at least the real Living Wage
- The **consortium members** must also pay at least the Real Living Wage to any workers directly engaged in delivering the grant funded activity
- All members of the application are asked to make a commitment/assurance that they will adopt the other aspects of FWF as far as possible specifically:
 - investment in workforce development;
 - no inappropriate use of zero hours contracts;
 - action to tackle the gender pay gap and create a more diverse and inclusive workplace;
 - offer flexible and family friendly working practices for all workers from day one of employment; and,
 - oppose the use of fire and rehire practice.
- Good practice examples of each of the Fair Work First criteria are set out on the [FWF Guidance](#), and details and acceptable forms of

evidence for the real Living Wage and effective voice conditionality are provided in [Annex B](#) of the guidance

- The **lead applicant** is responsible for ensuring all members of the consortia meet the condition to pay at least the real Living Wage to workers involved in the delivery of the grant funded activity in their bid.
- **Organisations who are accessing grant funding** are asked by the Scottish Government to include a short statement on their own website highlighting their commitment to advancing the Fair Work First criteria, including the real Living Wage and effective voice conditions. More information on verification statements is available in the [FWF Guidance](#).

Assessment

24. Applications will be assessed by a panel of experts.
25. The panel will award marks of zero to ten against each criterion.
26. Each mark out of ten will then be weighted according to the percentages allocated to their criteria to give a final mark.
27. The amount of subsidy required as a proportion of the whole project will be ranked relative to other applications (the lowest subsidy required per-bus with infrastructure receiving the highest rank) for the Financial criteria.
28. Applications which request a subsidy per-bus higher than the caps will receive a score of zero for the Financial criteria. (See section 40).
29. Transport Scotland may curtail bids in the event of the value of valid Applications to the fund exceeding the budget allocation. When this occurs, awards will be made first to those scoring higher overall marks in the evaluation.
30. All information provided in bids will be kept in confidence and not shared outside government and its agencies and used only for the purposes of evaluating the performance and value of ScotZEB2 and for no other purpose.
31. Bids will be assessed in line with the following criteria:

Market Transformation (20%)

Applications will be scored according to the strength of the evidence that zero emission buses and coaches can continue to be rolled out beyond this Challenge Fund without subsidy. Therefore, applicants should set out how such a transition takes place following this subsidy round.

No specific new business model is prescribed or preferred, and more than one business model may be successful however, the model(s) proposed must meet the aims of the Challenge Fund in that there is strong evidence shown that the model will be 'market transforming'. Applicants are strongly encouraged to think creatively and to consider a wider range of approaches to decarbonisation.

Applicants should set out how their financing arrangements will work in future (i.e. beyond this subsidy round) giving as much detail as possible as to expected key terms including the time period for repayment, pricing of debt and equity capital structure, ownership and leasing arrangements and hence the expected future cost to operators of accessing zero emission vehicles.

Financial (40%)

To substantiate their bid, applicants should set out detailed terms on how vehicles and infrastructure will be financed (for this subsidy round) including the time period for repayment, the pricing of debt and equity, capital structure, ownership and leasing arrangements. Bidders must make clear how the subsidy being applied for will be deployed within the financing structure. Applications should also set out details of the participating operators, how many vehicles they have in each capacity class (how many 9+ seaters, 60+ seaters etc.), and how many within these capacity classes are zero emissions.

Bids requesting less funding than the allowed maximum for their class will receive a higher score than those bids requesting the full amount. Each bid will be ranked relative to their percentage saved against the allowable maximum per-bus plus the highest infrastructure grant being bid (excluding the grant for non-contestable works), with the highest percentage saving receiving a score of 10 and a zero mark being allocated for 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 5.

Where assets (either the whole vehicle or elements (e.g., battery) thereof) are owned and financed by a third party and leased/made available to operators, bids should set out clearly both the discounted rate (enabled by ScotZEB2 funding), and the undiscounted rate that would otherwise be payable by operators, and the basis for calculating the discount.

Vehicles

Applications will be assessed based on the subsidy per-vehicle within its class (at least 9 passenger seats (but less than 32), at least 32 passenger seats, at least 45 passenger seats but less than 60) and, at least 60 passenger seats).

Infrastructure

Applicants must explain how many buses and/or coaches the infrastructure sought will be expected to support and by what dates, in terms of numbers of chargers, their respective capacities, and the maximum number of vehicles which can be charged at a time.

Applications will be assessed based on the subsidy requested on a per-vehicle basis, inclusive of all infrastructure costs, except non-contestable electricity network enhancements. These are costs with a fixed, regulated market price such as reinforcement and connection works provided by the Distribution Network Operator.

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. Applications should set out if/how the infrastructure will assist other sectors (e.g., vans, HGVs, etc.) to decarbonise. Bids that incorporate the benefits of the infrastructure being used by other vehicles/modes will score higher.

Deliverability (30%)

Applications which are supported with firm evidence of commitment from all members of the consortium will be scored more highly. For example, a heads of terms of agreement between operators and financiers, as well as other suppliers / stakeholders within the consortium, would be evaluated favourably. By contrast, applications which provide only vague or high-level statements of support will receive lower scores.

Applications should clearly set out how the project will be delivered, which parties and named persons will own and manage risks, and clearly set out reporting arrangements between participants in addition to their reporting arrangements to Transport Scotland.

Applications should clearly set out their risk tolerance, mitigation measures, project timescales, cost control, financial forecasting, and contingency plans to be scored highly.

Wider Community and Decarbonisation Benefit (10%)

Bids should make clear what wider benefits will be delivered as part of the implementation of the project, which could include job creation, making assets (particularly infrastructure) available to a wider number of users and / or transport modes.

Bids which make assets (vehicles or infrastructure) available to be used by Community Transport Operators, or SME operators will be evaluated favourably, this should be set out separately as higher subsidy may be justified due to the nature of their business or community transport service, and this should be clearly separated to aid assessment.

Where this infrastructure is to be provided ahead of need – such as for HGVs, public sector bodies, or for additional zero emission buses which are planned for the future, over and above what is included in the current bid – applicants should provide evidence of how this need will be realised, such as publishing information of the charger/s availability, pricing, and capacity through the appropriate channels, and should provide evidence of their engagement, Memoranda of Understanding, Agreements in Principle etc. with hauliers/fleet operators and/or manufacturers who intend to make use of this infrastructure for commercial use or trials in the near future, particularly where this openness assists with repaying this investment.

If a fleet or site is to be decarbonised in stages beyond the scope of ScotZEB 2, bidders should set this out clearly and how duplicative non-contestable civil works to complete their fleet transition at the relevant location have been avoided, with supporting evidence from the Distribution Network Operator and other appropriate bodies on how future capital savings will have been achieved.

Secondary Scenario

It is possible to add a second scenario to your ScotZEB 2 application. The application materials have been updated to reflect this option. Please contact EST via ScotZEB2@est.org.uk to request a 'Scenario B' form, should you wish to add this to your application.

This secondary scenario should reflect what the consortium would resemble should specified additional bus or coach operators be included.

The second scenario explored in the application form should outline very clearly how it differs from the primary bid, including numbers of additional vehicles per vehicle class; additional SME or community operators; level of subsidy-per-bus requested; financing structure; governance and deliverability considerations.

Letters of agreement/heads of terms documents between those potential additional consortium members and the lead applicant **must** be shared alongside your application, as in the primary bid. The letters of agreement / heads of terms document should make clear that the bus/coach operator only wishes to be considered part of the secondary consortium bid should their preferred consortium bid not be offered an award. Those who cannot present agreements or firmly name additional consortium members in the secondary scenario will not score strongly in the 'Deliverability' assessment criteria.

A 'scenario B' Financial forecast spreadsheet must be submitted alongside your application, should you choose to present a secondary scenario.

For those who wish to be included in another consortium's 'scenario B', you are limited to joining **one additional consortium** on these terms, with the understanding that there is no obligation for Scottish Ministers or Transport Scotland to award funding to any bid.

The assessment panel will assess all eligible scenarios presented. Only the highest scoring will be considered for award. Both scenarios will be marked using the same criteria laid out in this guidance.

This is an optional inclusion to your ScotZEB application. There is **no obligation** to present a secondary scenario within your application – there is no penalty for only outlining one scenario. There is **no obligation** for any operator to join any consortium.

The option to present a secondary scenario does not supersede the change control process which will be implemented post-grant award, should any awards be made. The change control process will allow additional operators/eligible bodies to join an existing consortium on a case-by-case basis, at the discretion of Transport Scotland. **No additional subsidy amount will be awarded should an additional company be added to the consortium post-award.**

How much funding is available, and when?

32. The value of awards offered will correspond to the level of impact bids offer. Drawdown will be available in financial years (1 April – 31 March) 2023/24, 2024/25, and 2025/26.
33. Responsibility for estimating and subsequently controlling all costs within the agreed grant allocation lies entirely with the applicants.
34. Applicants must evidence robust management of risk in relation to their proposed activity and will be accountable for related mitigation costs, factoring this into their application from the outset.

35. Successful applicants will submit their planned drawdown for that financial year, each financial year, after receiving approval in principle for the total project cost. Funding allocations will be reviewed on an annual basis to ensure effective financial management.
36. The responsibility for accurate financial forecasting and project management to avoid slippage across financial years is critical, and lies solely on the applicant, as the transfer of budget from one financial year to another is unlikely to be supported.
37. 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.
38. Vehicles grant-aided under individual awards from this phase of ScotZEB should be delivered within that financial year agreed.

Subsidy Caps

39. The favourable terms of the grant may constitute a public subsidy in terms of the law, regulations, rules and guidance applying in the UK and/or the UK's international obligations in relation to public subsidies ("the Public Subsidies Rules"). The grant is being provided in accordance with the UK subsidy control regime, as set out in, without limitation, the Subsidy Control Act 2022 and any other applicable law, statutory guidance, code of practice, judgment of a relevant court of law and international commitments on subsidy control arising from, amongst others, World Trade Organisation Membership, the UK-EU Trade and Cooperation Agreement, and international treaties and agreements to which the United Kingdom is a party, as amended or modified from time to time.
40. Your organisation must be eligible to receive the grant in accordance with the Value Thresholds as set out below, and we may be required to withhold payment of, or reclaim all or any part of the grant from you, to the extent necessary to ensure that the grant, either on its own or when taken together with any other financial assistance given or to be given to you by us or any third party, complies with the Public Subsidies Rules.
41. The Scottish Government is not committed to awarding the full budget available and will only award funds to bids that meet the criteria. The subsidy provided per-bus will be no more than the Value Thresholds.

Value Thresholds

- £50,000 for a diesel bus or coach to be repowered with a zero-emission drive train.
- £60,000 for a zero-emission bus or coach capable of carrying 9 or more passengers, including at least one wheelchair accessible space
- £105,000 for an accessible zero emission bus or coach with a total capacity for 32 or more passengers.
- £135,000 for an accessible battery-electric zero emission bus or coach with at least 45 seats
- £135,000 for zero emission bus or coach with a total capacity for 60 or more passengers
- For infrastructure subsidy will be no more than 70% of the total capital costs for electric charging, or hydrogen refuelling infrastructure.

Enquiries

42. If you have any questions about this guidance or application process, please email Energy Savings Trust at ScotZEB2@est.org.uk.

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