



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
CLIMATE ACTION
Directorate C – Innovation for a Low Carbon, Resilient Economy
CLIMA.C.2 – Low Carbon Solutions (II): Research & Low Carbon Technology Deployment

Innovation Fund 2023 Auction

Frequently Asked Questions

Date: 23 January 2024
Version: 0.7
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Research & Low Carbon Technology
Deployment

Disclaimer:

Please kindly note that these FAQs provides general guidance only and is not intended to address the specific circumstances of any particular case. The information provided has no binding nature and is without prejudice to the assessment of the submitted proposal(s).

| Admissibility, eligibility, and qualification requirements | |
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| Bid price | <p>1. Is it correct that the ceiling bid price set at 4.5 €/kg is a limit only for the subsidy, but that the H2 produced can be sold at the price we set with the off-taker?</p> <p>We confirm that the ceiling bid price is a limit only for the subsidy. The fixed premium (your bid price) should be formulated as the top-up (to the market revenue your project can expect to achieve) needed to make the project financially viable.</p> |
| | <p>2. If the balance of plant elements of the facility (such as water purification, electrical supply, DC-AC conversion system, hydrogen compression system and storage) are common for several electrolyzers, is it allowed to submit a bid including only the hydrogen produced in one of the electrolyzers? Can the applicant submit different bids, not with the aim of obtaining more than 266.6 M€ grants, but as a strategy for increasing their chances?</p> <p>Incoming bids need to be for legally separate projects, meaning the projects should not be identical as regards their location, assets, beneficiaries or costs – i.e. each project must be an independent installation with dedicated costs and revenue structure. However, projects can bid with capacity expansions at the same location in future auction rounds, if applicable.</p> |
| | <p>3. Is it permissible to submit a bid price (grant requested) that is below the margin between the production cost and the offtake price in this context?</p> <p>Yes. You may choose to take a strategic loss on a bid in order to increase your chances to win the auction. However please note that the financial model you will have to submit has to substantiate the execution (Entry into Operation within 5 years) of the project (e.g. all expenses during construction must be covered by cashflow year-on-year etc.)</p> |
| Financial Information File (FiF) | <p>4. How should the Financial Information File (FIF) be filled for a project producing both RFNBO and non-RFNBO hydrogen?</p> <p>Projects producing both RFNBO and non-RFNBO hydrogen should follow these guidelines to fill the FIF: The overall revenues, and costs of the project (both RFNBO and non-RFNBO) need to be inserted in the FIF.</p> <ol style="list-style-type: none"> 1) Bid components: "Installed capacity in the bid" cell G46 needs to be filled with the full electrolyser capacity of the project. 2) Revenues from hydrogen sales need to be split between RFNBO hydrogen and non-RFNBO hydrogen. The volume of RFNBO hydrogen produced should be inserted in lines 68, 73, 78, 83, 88, 93 and 97 of the FIF inputs sheet. Associated relevant prices need to be filled in lines 66, 71, 76, 81, 86, 91 and 96. |

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| | <p>The volume of non-RFNBO hydrogen produced should be inserted in lines 119 and its price in line 117 in the FIF inputs sheet.</p> <p>3) The costs of power sourcing for RFNBO hydrogen and non-RFNBO hydrogen should be split. The power costs of RFNBO hydrogen should be inserted in lines 135 to 153. The power costs of non-RFNBO hydrogen should be inserted in lines 161 and 163.</p> |
| Permits | <p>5. What type of documentation will be considered as evidence of the start of the environmental and connection permits process?</p> <p>In relation to environmental and connection permits processes, national situations differ widely. The submitted documents must establish in a credible manner that the process of obtaining a permit has been initiated and that the timeline of achieving the permit before the maximum time to entry into operation is realistic. The documentation provided will be assessed considering the national context, which you can also describe in your application.</p> <p>6. Since the auctioned good is 'RFNBO hydrogen', we understand that the environmental permit and the grid connection permit refer to permits needed for the electrolyzing facility and not, for instance, to permits needed for a RFNBO installation using the renewable hydrogen?</p> <p>Yes, your understanding is correct, required permits are related to the installation producing RFNBO hydrogen.</p> |
| Renewable supply / Off-taker documents | <p>7. What documentation constitutes initial pre-contractual steps taken towards securing 60% of renewable electricity? Does a non-binding PPA Letter of Intent (LoI) with a utility suffice?</p> <p>Please refer to section 3. of the T&Cs which specifies the requirements and assessment of renewable electricity sourcing strategy.</p> <p>8. Regarding the MOUs to be submitted as part of the application, for the electricity sourcing and hydrogen off-takers - do the final contracts signed with these parties (after grant signature) need to match the content of the MOUs? What if a change of electricity provider or off-taker occurred after the submission of the proposal, would this be possible?</p> <p>The final contracts can differ from the pre-contractual documents submitted during the application. The project needs to credibly show during the application stage that it has an electricity procurement strategy compatible with the RFNBO volumes stated in the bid / its off-take volumes and price, but it is ultimately the risk of the project to secure sufficient volumes of renewable electricity and receive RFNBO certification (to which payments are linked) by the time of FID/Entry into Operation.</p> <p>9. Do we understand correctly that CINEA only asks for information about the price structure, but nowhere for a concrete hydrogen off-take price?</p> <p>Price structure refers to the price over time, i.e. an off-take price could be indexed to another price or be scheduled to vary over time. It will be necessary to report the expected off-take price at application stage, as well</p> |

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| | <p>as further reporting in case of possibly changing off-take agreements throughout the lifetime of the project.</p> |
| | <p>10. What is the length of the hydrogen offtake that we need to secure as part of the bid? If we have a LoI for a 5-year hydrogen offtake, would that be sufficient?</p> <p>Please refer to section 3. of the T&C which specifies the requirements and assessment of the hydrogen off-take and price hedging strategy. “For at least 60% of the RFNBO hydrogen production volumes during the project’s implementation period, MoU, LoI or other forms of pre-contractual signed term sheets with (an) off-taker(s) must be presented containing points (1) to (7) above.” This means that even if covering 100% of annual volumes, the LoI would need to cover at least 6 years to reach the 60% of total volumes.</p> |
| | <p>11. Can a project sell its production on the wholesale market (partially or entirely)?</p> <p>The bidder must present a credible bilateral MoU/LoI for 60% of the planned production during the implementation of the project with one or more off-takers (the off-taker can also be, for example, an aggregator). There are no special conditions for the remaining 40% of the production, which can be sold on wholesale markets if the project decides to do so, and if such markets exist for hydrogen.</p> |
| | <p>12. Is nuclear energy considered as renewable for the purposes of the auction?</p> <p>Under the current RED-III, nuclear energy does not qualify as renewable energy. See Article 2.1</p> |
| | <p>13. Must the MoU/LoI cover a period of 10 years, or could it be based on an annual agreement (so MoUs year-by-year), consistent with the planned annual production volume? What is the level of information that is concretely expected for the Renewable Energy strategy information?</p> <p>Please refer to Section 3 “Qualification Requirements”. For at least 60% of the required total electricity volumes MoUs, LoIs or other forms of pre-contractual signed term sheets need to be provided. Likewise for at least 60% of the RFNBO hydrogen production volumes. Please note that the signed contracts later can deviate from what was assumed at the bidding stage, and it is up to the project to secure its off-take and the renewable power necessary to have its output certified as RFNBO.</p> <p>For the renewable energy strategy information, as explained in the point above, only pre-contractual agreements will be requested. The information must be consistent with the bid and the financial information file (FIF = simplified financial model, template will be provided), as well as basic project parameters like the assumed full load hours, hydrogen off-take profile or electrolyser efficiency presented in the application forms, in line with the definitions of set down in the RED III Delegated Acts for RFNBOs.</p> <p>Representation of production profiles e.g. in a monthly chart is sufficient (please refer to the T&Cs).</p> |
| | <p>14. If we are sourcing the renewable energy via the grid (from a third party PPA), according to the T&C (section 3) we need to show the source of the renewable</p> |

energy, supply time profile and other terms from (1) to (7). Does the third party who is providing us the PPA need to indicate in the LoI the exact solar, wind or other assets they are providing the energy from? Or can they provide an energy profile from across any of their portfolio?

If some of the solar or wind assets are greenfield and expected to come online 2026 / 2027 (H2 facility will come online in Q2 2027), can the PPA provide include greenfield solar or wind asset that hasn't reached RtB by the time we apply for the EHB bank? What evidence does the PPA provider need to provide of the timeline of these assets coming online?

Does the supply time profile (7) need to match the individual asset where the PPA provider is sourcing the renewable energy from, or can the profile be compiled together and show the monthly amount?

Projects buying on the spot market without dedicated PPAs can indicate their electricity provider / trader and the renewable share of the grid (national or bidding zone). In case of a dedicated PPAs, those can be a mixed-source or individual source PPA. In case of a mixed source PPA (e.g. combining various renewables assets) the project should indicate the profile of the PPA contract with the PPA provider and any asset level information that is reasonable to obtain.

Some projects will rely on to-be-built renewables assets. The more detail you can reasonably provide, the better, but what will be assessed is the credibility of the electricity procurement strategy and actions towards securing sufficient renewable volumes in line with the RFNBO volumes of your H2 bid. If construction of the renewable assets lies credibly within the maximum realisation period of the auction, that is acceptable. At the stage of application, no contractual documents are required yet.

The profile can and should be compiled from all sources you are planning to source renewable electricity from.

15. Can securing renewable electricity be demonstrated with a PPA and a related Guarantee of Origin documents?

As stated in section 3 of the T&Cs, the evidence of a renewable electricity sourcing strategy must be consistent with the bid and the financial information file (FIF) as well as basic project parameters like the assumed full load hours, hydrogen off-take profile or electrolyser efficiency presented in the application forms. However, please note that the project does not yet have to show any contractual steps towards securing renewable electricity supply. Pre-contractual documents (MoUs, LoIs etc.) are sufficient.

A signed PPA would be an even more solid proof as long as there is no conflict with the rule on “start of works”. Also, please note that Guarantees of Origin are not sufficient to fulfil the RFNBO requirements. Please refer to Article 4: “General rules for counting electricity taken from the grid as fully renewable” of the first delegated act for details.

16. Could you please clarify if it is necessary to include an actual price in the MoU? Or would it be sufficient to state in the MoU that the price will be fixed without a

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| | <p><i>pre-agreed price and have assumption of what the off-taker is willing to pay in the business case of the application?</i></p> <p>As described in section 3 of the T&Cs, the information of the MoU with the hydrogen off-taker will have to the expected price structure (i.e. price over time). The project must provide a tentative figure of the fixed price that has been pre-agreed or, in case of a variable price structure, an average of the planned price per unit during the implementation period, as well as the price structure over time. In addition, the expected off-take price will need to be inserted as part of the Financial Information File.</p> |
| <p>Price Hedging Strategy</p> | <p><i>17. The T&Cs say that the price hedging strategy must show that the project has considered hedges to mitigate the risks of production stops or schedule operations due to unforeseen revenue decreases or cost increases. Could you be more explicit?</i></p> <p>The project must briefly explain how the proposed electricity supply strategy (its cost structure) and its off-take strategy (its revenue structure) are linked in a manner that doesn't result in extreme price risks on either side. For example, a project with a spot-price indexed pay-as-produce PPA on the cost side, but a fixed price baseload hydrogen off-take agreement and no additional hedging measures may not be considered to have a strong hedging strategy.</p> |
| <p>Split capacity of the project</p> | <p><i>18. Is it possible to split one electrolyser into multiple bids for the same auctions?</i></p> <p>The T&Cs include a rule under point 2.3 of the table: "Maximum grant amount restriction for each bid: one-third of the total available budget established for the auctioned topic (i.e. one-third of EUR 800 million or EUR 266,7 million)." This rule avoids a winner-takes-all scenario of a single project consuming the entire budget. Therefore, incoming bids need to be for legally separate projects, meaning the projects should not be identical as regards their location, assets, beneficiaries or costs – i.e. each project must be an independent installation with dedicated costs and revenue structure. The same company can of course submit bids for multiple different projects.</p> <p><i>19. Is it possible to apply to the auction with only a portion of the capacity of the electrolyser?</i></p> <p>Yes, it is in principle possible to bid with a portion of capacity of a large electrolyser to be installed, if the larger project is split into capacity portions with clearly defined and distinct project boundaries.</p> <p>While it would be acceptable that the submitted environmental and grid connection permits concern the whole capacity, it is required that the following items that are part of the bid/application concern the capacity bid into the auction only:</p> <ul style="list-style-type: none"> • bid components; • financials stated in the FIF; • business plan; • electricity sourcing strategy; • offtake and price hedging strategy; • electrolyser procurement strategy; |

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| | <ul style="list-style-type: none"> • completion guarantee; • timetable and participant information; <p>It is not necessary to establish a separate legal entity. In application form B you need to explain that the capacity bid into the auction is part of bigger project.</p> <p>Engineering studies can refer to the whole capacity.</p> <p>When defining the project boundaries, you need to specify in which application you include the auxiliary installations serving the entire capacity (which, as a result, would be an oversized auxiliary installation in the selected project). The auxiliary equipment cannot be funded twice and should be assigned to only one project.</p> <p>Please also note that it is not possible to split the capacity of one project into multiple bids in the same auction round. As stated in the call text and T&Cs, all incoming bids in a given auction round need to be for legally separate projects, meaning projects bid into the same auction round should not be identical as regards their location, assets, beneficiaries or costs – i.e. each project must be an independent installation with dedicated costs and revenue structure.</p> |
| | <p><i>20. Can a project apply to the auction with only a portion the total RFNBO production from the electrolyser capacity stated in the bid ?</i></p> <p>Yes. However, in case of applying with only a portion of your planned output, please remember that:</p> <ul style="list-style-type: none"> • In FIF you need to state portion of the output, related price and the project’s full capacity • financials stated in the FIF will need to relate to the whole capacity and notably also revenues from the hydrogen volumes that will not be supported under the pilot auction, both RFNBO and non-RFNBO. Please put them both in line 116 of the FiF, even if that line currently states “revenues from non-RFNBO H2” • electricity sourcing strategy needs to relate to the output that bids into the auction; • offtake and price hedging strategy needs to relate to the output that bids into the auction; • completion guarantee need to relate to the whole capacity; <p>In application form B you need to explain that there will be part of output that is not part of the bid</p> <p>The certification of the total volume of hydrogen produced as meeting at least 70% GHG reduction will concern the whole capacity stated in the bid.</p> <p>Please remember that cumulation rules apply.</p> |
| | <p><i>21. Can a project do a “virtual” capacity split based on the time fraction that the overall capacity is producing RFNBO vs. non-RFNBO?</i></p> <p>No, this is not possible. For example: a 100MW electrolyser that is producing RFNBO H2 in 2000h/year and non-RFNBO H2 in 2000h/year cannot apply with a virtual capacity of 50MW claiming to produce RFNBO H2 for 4000h/year. As outlined in section 2.10 of the T&Cs annexed to the call text, in order to avoid the cross-subsidisation of grey hydrogen, beneficiaries need to provide certification that the total volume of hydrogen produced (RFNBO & non RFNBO) by the supported project achieves at least 70% GHG savings following the rules set out in the</p> |

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| | <p>Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (on average, during the disbursement period of the scheme). Virtually splitting your capacity based on a time fraction of producing only RFNBO would fully defeat the purpose of this rule.</p> |
| <p>Start of works</p> | <p>22. How is “start of works” defined? Specifically, would the acquisition of a plot of land, the application for permits or the ordering of a grid connection (electricity and/or water) from the grid supplier be considered the start of the measure and thus lead to an exclusion from the funding via the Hydrogen Bank.</p> <p>“Start of works” refers to the first firm commitment that makes an investment irreversible. The buying of land and preparatory works such as obtaining permits and conducting preliminary feasibility studies are not considered as start of works. Also, the initiation of grid connection processes does not count as start of works.</p> <p>23. If a hydrogen producer with several sites books electrolyser capacity with the manufacturer and makes a first payment now (before bidding), but the decision of acquiring this electrolyser is still reversible, would this first payment be considered start of works?</p> <p>Contracts which have been entered into force before the application for support count as start of works only if they entail a significant financial contribution from the beneficiary compared to the overall project value and content. This situation would also apply for contractual relations within members of the same group.</p> <p>24. In our project, the order for electrolyser has already been made, but no financial contribution has taken place yet. Could you please confirm that in this case of the project has not yet begun “start of works” and so can be eligible in this pilot auction? Also, could you please specify what is considered as “significant financial contribution”?</p> <p>Start of works is defined as follows: “‘start of works’ means the first firm commitment (for example, to order equipment or start construction) that makes an investment irreversible. The buying of land and preparatory works such as obtaining permits and conducting preliminary feasibility studies are not considered as start of works.”</p> <p>Contracts which have been entered into before the application for aid count as start of works only if they entail a “significant financial contribution” to the beneficiary. The meaning of a "Significant financial contribution" should be assessed compared to the overall project value and content.</p> <p>In the above case, this will depend on the costs originating from an eventual break of the procurement order and the weight of those costs when compared with the overall cost of the project presented in the bid. DG Competition, who is defining start of works in the CEEAG does not publish a fixed threshold for a “significant financial contribution”. This will be assessed</p> |

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| | <p>25. Do we need to demonstrate that we used usual purchasing practices, such as best value for money and having conducted a tendering process? More specifically, is it allowed under the Innovation Fund Auctions to reserve electrolyser capacities without having contractually committed to buying electrolyser capacities? Would reserving capacities also be valid as a pre-contractual agreement instead of an MoU, if it includes the necessary information as outlined in the T&Cs? And must the booked capacity be linked to the project or could it just generally be reserved by us as a company?</p> <p>At the moment of application, no <i>contractual</i> relations with the electrolyser producer are required. So yes, an MoU or LoI with an electrolyser manufacturer is sufficient, as outlined in the T&Cs. In the case that you are presenting (reserving a electrolyser capacity) it will be necessary to link that reservation agreement with the project capacity that is part of the bid and with credible terms of delivery.</p> <p>It is not necessary to demonstrate specific purchasing practices.</p> <p>26. Once the application has been successfully submitted, can the project start at its own risk?</p> <p>Starting works after submitting the application and before the award decision is possible at the project’s own risk.</p> <p>27. Could you please specify what exactly is meant by an irreversible investment when defining the “start of works”?</p> <p>Contracts which have been entered into before the application for aid count as start of works only if they entail a significant financial contribution to the beneficiary. That includes, for example, payments already made or costs for terminating the contract. The meaning of a “Significant financial contribution” should be assessed when compared to the overall project value and content: financial contribution lower than 10% of CAPEX can certainly be considered not a significant one, other cases would have to be carefully argued. Contractual situations that imply a significant contribution must be explained in the documentation shared during the bid and its significance will be assessed by CINEA on a case-by-case basis during the evaluation of the proposal.</p> |
| <p>Off-taker</p> | <p>28. Can the bidder (hydrogen project developer) and the off-taker be the same legal entity?</p> <p>We confirm that the hydrogen producer and off-taker can be the same legal entity. This is what we refer to as self-consumption or an integrated project. For example, the same company could produce H2, bidding on the produced volumes, and immediately turn it into ammonia.</p> <p>29. If a facility is an integrated Green Hydrogen and Ammonia production facility, can the integrated project apply for the production premium? Or can only Green Hydrogen production projects can apply for this Auction?</p> <p>Integrated projects are eligible to apply. However, please note that the bid will only concern RFNBO hydrogen and payments will only be made against certified and verified RFNBO production volumes. The project should make use of recognized national and/or Voluntary Schemes able to certify RFNBO</p> |

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| | <p>hydrogen volumes that get consumed for the production of RFNBO derivatives. Should this not be possible, we will find a pragmatic solution.</p> <p>30. Where the hydrogen off-taker is the same legal entity as the beneficiary, can a letter signed by a director/senior executive of the beneficiary be provided instead of a LoI or MoU?</p> <p>Where the hydrogen producer and off-taker are the same legal entity, letters signed by a director/senior executive can be provided instead of LoIs or MoUs. The information reflected in the letter should be the same as that required in the MoU of a third party of taker except that instead of name of off-taker you should indicate the asset within the integrated project</p> <p>31. Are off-takers allowed to sign up with multiple project developers for the offtake needs? Does the developer need to have exclusivity for the volume of product sourced with the off-taker?</p> <p>As described in the section 3 of the T&Cs, the off-take strategy presented with the bid must show that the project has a credible plan and has taken initial pre-contractual steps towards securing off-take for at least 60% of the produced volumes of RFNBO hydrogen during project implementation. There is no requirement of exclusivity with the off taker. Full contractual agreements may only be necessary for reaching Financial Close in line with the conditions required by third party financiers. Ultimately it is the risk of the project to not reach Entry into Operation within the maximum realisation period.</p> <p>32. For integrated projects self-consuming the produced RFNBO: is it enough to provide an internal commitment to convert H2 in a derivative or is it also needed evidence of the derivative selling strategy?</p> <p>In the case of self-consumption where the bidders present a letter signed by a director/senior executive, the information reflected in the letter should be the same as that required in the MoU of a third party of taker except that instead of name of off-taker you should indicate the asset within the integrated project. The project will still have to report an internal off-take price, which will also be reflected in the FiF. The proposal can, however, explain in the required business plan the internal purchase of the RFNBO hydrogen and the plan for the derivate product.</p> |
| <p>Producer</p> | <p>33. Who exactly can apply for this funding: only current fossil hydrogen producers/consumers who want to switch to green hydrogen can benefit from it, or if this funding is also open to those who want to launch a brand-new project?</p> <p>Any project developer (company or consortium) looking to finance and develop a renewable hydrogen project is invited to submit a bid in the auction.</p> <p>34. Is it true that the proposed T&Cs would only allow participation of 3 projects?</p> <p>There is no limitation on the number of projects participating in the auction, and the number of awarded projects cannot be concluded in advance of the auction, as this depends on the price and volumes of the submitted bids. However, to avoid a “winner takes it all” scenario of a very large project</p> |

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| | <p>taking the entire auctioning budget, there is a restriction of the maximum grant amount a single bid can receive. This is set at 1/3 of the total available budget, i.e. EUR 266.7 million (see point 2.3 of the T&C table).</p> |
| Beneficiaries | <p>35. Can a single entity have multiple projects entering the auction?</p> <p>Yes, a single entity can participate with several different projects. Please note that it is however not possible to bid several capacity fractions of the same project (same location, legal entity, financial structure, cost structure etc.). Each submitted proposal must be clearly related to a different project.</p> |
| | <p>36. A hydrogen off-taker would like to rent the electrolyser facility from its owner (who is the investor), to produce hydrogen for self-consumption. The off-taker would be responsible for sourcing electricity for the hydrogen production. It is our understanding that it is the hydrogen producer, who shall submit the application. Based on the case above who should/can apply for the first pilot auction?</p> <p>In the case that you are describing, it will be necessary that both companies present a bid as a consortium, due to the shared responsibilities in the requirements of the auction call (for example, the investor will be responsible for the construction deadlines while the operator will have to present as part of the bid the requested energy supply strategy and off-taker pre-contractual agreements).</p> |
| | <p>37. Will it be possible to change the beneficiary that signed the Grant Agreement, to include a new or additional entities i.e. joint venture ?</p> <p>This is generally possible. It is still possible to change beneficiaries after the grant agreement is signed by means of a contract amendment. However, please note that if the Joint Venture is established early in the grant agreement preparation process the change can be easier. In any case, the JV must undergo a financial capacity assessment with a positive result to become the project coordinator and sole contract partner and CINEA must approve this step.</p> |
| | <p>38. We would like to confirm if it is indeed possible to change the beneficiaries after GA signature in a scenario where the beneficiary sells a share of the company to another company.</p> <p>Yes, that scenario can be addressed through a partial take-over amendment procedure. For more information on amendment procedures, you may refer to the Article 39 Model Grant Agreement (“Unit MGA) that has already been shared in the Funding and Tender portal in reference documents. CINEA will assess the situation in detail.</p> |
| | <p>39. For our project, we planned to have an SPV that is to be created shortly before the application deadline. Therefore, there will be documents (e.g. evidence of the environmental permitting process, etc.) that will have been requested by another company of the group; would that be ok?</p> <p>Under the situation that you are describing, those documents presented with the application (environmental permit, grid permission or water supply, etc) must be, at least, attributable to the project that is presented in the bid, regardless of the entity issuing them. If the project is selected, CINEA will</p> |

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| | <p>assess if any other participant in the project, beyond the SPV, has to be registered as a participant (e.g. affiliated entity) depending on their responsibility role in the project. Changes in the composition of the consortium after grant agreement should not be a problem while the change does not impact the validity of such documents in the national legal context and does not impact the implementation of the project</p> |
| Electrolyser procurement | <p>40. What if the electrolyser supplier is from outside the EU? Is it an influencing factor where the electrolyser comes from?</p> <p>There is no geographical restriction to the origin of the electrolyser in this first auction, although origin information will be requested as part of the bid.</p> |
| Additional Financial Check | <p>41. Before the grant agreement is signed, you will make an additional financial capacity check to ensure that applicants have stable and sufficient resources to implement the projects and contribute their share successfully. What is the process of the additional financial capacity check? What kind of disqualifying reasons could appear?</p> <p>The additional financial check is only made on members of the consortia of projects that have been selected and invited to grant agreement preparation (not all applicants). This is a standard check carried out by the Commission to ensure that applicants have stable and sufficient resources to successfully implement the projects and contribute their share. For further information on how this will be made, you can refer to “Rules on Entity Validation, LEAR appointment and Financial Capacity Assessment” on the EUs Funding and Tenders portal.</p> |
| Financial close | <p>42. Must applicants propose a date for financial close? Are there any limitations (e.g. no later than 2 years after the signature of the GA)?</p> <p>The bidder indicates his/her anticipated financial close date. The only hard deadline from our side is that entry into operation must take place within 5 years from grant agreement signature, after which the project would be terminated and the completion bond called.</p> |
| Force Majeure | <p>43. The date of entry into operation can be linked to external factors that are beyond the control of the beneficiary such as force majeure. Will such factors be taken into account by CINEA to postpone, when duly justified by the beneficiary, the date of entry into operation?</p> <p>A clause with definition of Force Majeure will be provided as part of the Model Grant Agreement (MGA) at the opening of the auction call.</p> |
| Location | <p>44. It is said that the electrolyser capacity must be located in one place. Could you be more explicit? For instance, is there a maximal distance to respect between two installations/two beneficiaries?</p> <p>The project must show in its application that the capacity of the electrolyser is located in a single facility or installation.</p> |
| Operational Capacity | <p>45. What kind of project team is required (number of participants, level of expert etc.)?</p> <p>There are no specific requirements for the composition of the team. However, as described in section 4 of the T&Cs, the project will have to provide information, documents and explanations about the competence and</p> |

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| | <p>experience of the applicants and their project teams that make it credible that entry into operation within 5 years and production of RFNBO hydrogen can be achieved.</p> |
| Signatures in documents | <p>46. <i>Could the final contracts with the electrolyser manufacturer, the off-takers and the provider of renewable energy be signed with entities different than the ones who provided the LoI/MoU in the proposal phase?</i></p> <p>Yes.</p> |
| | <p>47. <i>Can the agreements (MoU or LoI) required for the auction be signed electronically?</i></p> <p>Documents shared as part of the application to the auction may be signed both electronically or by hand.</p> |
| Volume of product | <p>48. <i>How should we account to full-load operation in the calculation of the yearly average hydrogen production? If the first year is dedicated to commissioning, testing, and ramping up, does the auctioned production start only after the end of the ramp-up period?</i></p> <p>The first year of production starts after the date of verified Entry Into Operation. Entry Into Operation is defined as the moment in the project development cycle where all elements and systems required for operation of the project have been tested and the capacity stated in the bid has been certified as operational. Further details on this aspect will be detailed in the auction’s documents at its launch on 23 November 2023. Lower than expected average annual production in the first year is not a problem but will not be financially compensated. Please refer to points 1.10 (“Production flexibility rules”) and 4.2 on severe underperformance in the T&Cs.</p> |
| | <p>49. <i>Is there a specific limit on the annual tons of hydrogen that must be produced with the capacity stated in the bid?</i></p> <p>There is no minimum requirement for the bid information on the output level to be produced with the capacity stated in the bid.</p> |
| | <p>50. <i>Can I bid with a 100MWe but only assuming a lower than full load factor and therefore the 60% off take agreements on that basis too?</i></p> <p>Yes, the bidder can freely choose the load factor parameters planned for the operation of the electrolyser during the maximum implementation period of 10 years. Based on it, the bidder can calculate the final total volume of RFNBO hydrogen produced and the average annual volume. The 60% of the production must refer to the total volume of RFNBO Hydrogen produced at the end of the implementation period. The load factor that has been used can be explained in the application forms.</p> |
| financing entities | <p>51. <i>Is there any kind of limitation or requirement for the financing entities providing the funding that the project will obtain (i.e.: type of institution, amounts financed, financing conditions...)?</i></p> <p>Financial institutions providing financing to the project are required to respect cumulation rules (e.g. subsidised promotional loans for hydrogen producers might qualify as State aid and the cumulation rules in section 4 of T&C have to be observed)</p> |

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| | <p>If these institutions are part of project consortium standard legal entity checks (KYC and AML compliance, not sanctioned, Anti-Bribery, no default, etc.). This is notwithstanding that the chosen institution will need to comply with the required national and international regulations (for example Markets in Financial Instruments Directive, MiFID). The choice of financial institutions has an impact on the risk of the project promoter to reach entry into operation within the maximum time to entry into operation. If the date is exceeded – for example due to financing issues – the support contract is terminated and the completion guarantee called. That completion guarantee should be issued by a bank or financial institution that is rated at least BBB-/Baa3.</p> |
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| Application Procedure | |
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| Deadlines | <p>52. Please clarify the deadlines for the auction.</p> <p>We confirm that the bids will have to be submitted by February 8th through the Funding and Tenders portal of the EU. After that, CINEA will evaluate the information and invitations to sign grant agreement with selected projects will be sent approximately 2 months after call closure (i.e. early April). The grant agreement will have to be signed within a maximum of 9 months of call closure the auction call (8 February).</p> |
| Documents | <p>53. Where can I find the Application Forms A, B, and C mentioned in the Terms and Conditions? Are there any templates?</p> <p>The templates and application forms will be published on the day of the opening of the auctions call for proposals, i. e. on 23 November 2023, in the EU Funding and Tenders Portal. The template for the LoI for the completion guarantee is already published on our website here.</p> <p>54. Could you confirm whether there are any other documents required to be submitted during grant agreement signature, other than the completion guarantee from the bank/financial institution?</p> <p>The EU's Central Validation Service or CINEA may request additional documentation during the grant agreement process, e. g. to confirm the financial capacity of project promoters.</p> <p>55. Could you confirm whether there are any other documents required to be submitted after grant agreement signature, other than the RFNBO certification and reporting requirements? E. g. contracts with the hydrogen off-takers or with the suppliers of renewable electricity.</p> <p>Further details on documents to be submitted will be provided at the time of the launch of the auctions call for proposals.</p> <p>56. During grant agreement preparation: will the winners need to provide also the final, binding contracts with off-takers and electrolyser manufacturer before signing the grant agreement?</p> <p>No, those contracts are expected at financial close.</p> <p>57. Regarding the required MoU/LoI or other forms of pre-contractual signed term sheets: is there a template provided by the Commission or any special</p> |

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| | <p><i>requirements for those other than the information they must include according to the “Terms and Conditions”?</i></p> <p>There will be no template for the required pre-contractual signed term sheets due to different national contexts and specificities. In general, templates and forms to be used in the application will become available with at the moment of launching of the auction on the Funding and Tenders portal.</p> |
| Languages | <p><i>58. What language must application documents be written on?</i></p> <p>Proposals may be submitted in any official EU language, although the project abstract/summary section should always be in English. For reasons of efficiency, however, we strongly advise you to use English for the entire application.</p> |
| Withdrawing | <p><i>59. Can successful bidders withdraw without financial obligation before signing the grant agreement with CINEA?</i></p> <p>Yes, the auction design includes a completion guarantee but not a bid bond.</p> |
| Future auctions | <p><i>60. When will timing and budget for subsequent auctions be communicated?</i></p> <p>The bidding window will close on 8 February. After that, we enter a “lessons learned” phase that we will conduct as swiftly as possible and with a view to publish in spring the terms & conditions for a next auction. The bidding window would only open after a period of co-creation with stakeholders.</p> <p>The budget of a next round will have to be calibrated with the next call for proposals for grants in the light of the overall resources available under the Innovation Fund.</p> |

| <i>Award Procedure</i> | |
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| Publication of information | <p><i>61. In the situation of at least 3 projects are selected and the successful bidders and identified bid prices are published. How will anonymity be maintained in the case of having only 3 projects?</i></p> <p>Price discovery is a core objective of this auction. The bid prices of winning projects (as well as other bid components: production volume and capacity) will be published in an identified way, like for other energy auctions or like the grant amount of projects winning under the regular Innovation Fund call for grants. Off-take prices will be anonymised and aggregated across winning and non-winning bids. If anonymisation cannot be guaranteed, the Commission may refrain from publishing them.</p> |
| Scoring and clearing | <p><i>62. If the last bid exceeds the total budget and the next bid has a higher bid price, but a total lower funding sum that would fit to the left-over budget, would the higher priced bid be successful? If not, will the left-over budget be shifted to the next auction round?</i></p> <p>No, the price order of eligible and admissible bids is binding. Indeed, in such a case, there will be an unspent remainder of the auction budget that flows back to the budget of the Innovation Fund.</p> |

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| | <p>63. Assuming the project is eligible for the auction process, is the scoring criteria purely based on price of production premium that has been bid? If not, can you please clarify the scoring criteria?</p> <p>Please see section 2.2. and 3 of the T&Cs. Bidders will need to fulfil several qualification requirements to have their bids ranked (admissibility, eligibility, relevance and quality criteria). Qualification aims to ensure that bidders can implement the project, that it is sufficiently advanced with respect to maximum time to Entry into Operation, and that auction participation is not used for speculative bids. Qualification requirements are assessed on a pass / fail basis only, the subsequent ranking of projects that have not failed qualification will take place purely based on price.</p> |
| | <p>64. Could you please provide more details about the reserve list to which the last bid that exceeds the total available budget would be added?</p> <p>We confirm that the last bid that exceeds the total budget available will be added to the reserve list. Indeed, in such a case, there will be an unspent remainder of the auction budget that flows back to the budget of the Innovation Fund.</p> |
| | <p>65. What would happen if after several qualified bids adding to EUR 550 million comes one additional one that requests a maximum grant amount that adds beyond the limit of the budget of EUR 800 million? this last bid will be not awarded?</p> <p>The auction would be cleared at EUR 550 million and the remaining budget (EUR 250 million) would accrue back to the Innovation Fund.</p> |
| | <p>66. It has been announced that Germany will join the European Hydrogen Bank Auction-as-a-Service scheme. What this means for German applicants? Will all the German projects that do not fit in the 800 M€ budget of the European Auction automatically enter the pot of the German Auction? -What will be the evaluation criteria and processes for the German auction? -Will the bid ceiling be the same for the German auction? -Who will evaluate the projects entering the German auction? - What will be the potential time frame and deadlines?</p> <p>German projects that were positively assessed on qualification criteria but do not fit in the EUR 800mn EU Innovation Fund budget will be given the choice whether they want to withdraw from the IF's reserve list and be passed onto Germany (granting authority) for a national award decision, or not.</p> <p>Germany will respect the evaluation made by CINEA on the qualification criteria (pass/fail), as well as the price ranking of projects that have passed the qualification criteria. There is no additional evaluation process with the German authorities, just a parallel grant agreement process (i.e. projects that are eligible and fit within the German budget, in order of the price ranking established by CINEA, will enter into grant agreement process with Germany as opposed to with CINEA).</p> <p>Notwithstanding this, Germany has imposed one additional requirement on projects compared to the Innovation Fund conditions, in order to avoid double-compensation with regards to Article 37a of the German Bundes-Immissionsschutzgesetzes. Further, an additional ceiling price will apply to German projects: as outlined in the call text: The lower of the overall ceiling price of EUR 4.5 and 3x the price of the last non-German project awarded under the IF budget. For details, see BMWK -</p> |

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| | <p>Förderung von Wasserstoffprojekten in Deutschland. Projects eligible to be supported by German funds and which withdraw from the IF reserve list will be contacted by the German granting authority (after the evaluation process by CINEA is concluded).</p> |
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| <i>Cumulation with other support</i> | |
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| <p>National taxes or levies</p> | <p>67. In the document under point 4 - Rules for cumulation of support is stated “For avoidance of doubt, reductions from levies or taxes that reflect part of the cost of providing electricity to the beneficiaries, e.g. reductions from network charges or charges financing capacity mechanisms or reductions in electricity taxes (not covered by point 403 of the CEEAG), cannot be cumulated.” Acc. National German Energy Law EnWG §118 (6), electrolysis plants are (temporary) exempt from grid fees. Does this then also fall under the provision prohibiting cumulation? If so, how is the benefit counted?</p> <p>State aid in form of exemption from grid fees which do not finance the energy and environmental objectives as defined in point 403 of CEEAG cannot be cumulated with the support to be won in the Innovation Fund pilot auction. The bidder can, however renounce or not apply for such exemptions when successful in the auction and as of the Grant Agreement signature.</p> <p>As stated in the T&Cs, reductions from levies or taxes that are State aid and that reflect part of the cost of providing electricity to the beneficiaries, e.g. reductions from network charges or charges financing capacity mechanisms or reductions in electricity taxes (not covered by point 403 of the CEEAG), cannot be cumulated with support provided under the IF pilot auction. Only levies on electricity consumption which finance energy and environmental policy objectives (as described in point 403 and section 4.11 of CEEAG) can be cumulated with support under the IF pilot auction. Please note that depending on the national context many levy reductions that qualify as State aid can be renounced or not applied for. I.e. if a project wins the auction (not pricing in the levy reductions), it can renounce or not apply for the levy reduction and would thus be eligible. If it does not win the auction, it can continue to be beneficiary of the national State aid measures.</p> <p>Please note that the terms and conditions of the auction do not “classify” measures as State aid, but that measures either are or are not State aid. If you are unsure whether the State aid measure you have in mind falls under CEEAG 403 (and is therefore allowed to be cumulated), you can: (i) Consult the State aid decision under which the measure you mention was found compatible. This includes the legal base under which it was found compatible (e.g. 403 of CEEAG), (ii) Get in touch with the national competent authority that put forward the respective measure. You can find the registry of State aid cases here: https://competition-cases.ec.europa.eu/search</p> |

68. Can the tax reductions in Sweden that are made for the same energy and environmental purposes as tax/levy reductions under point 403 of CEEAG be cumulated with the support under the IF pilot auctions (even if not notified under point 403 of CEEAG)?

We can accept that tax reduction in Sweden that is made for the same energy and environmental purposes as tax/levy reductions under point 403 of CEEAG is cumulated with support under the Innovation Fund pilot auction that will open this year. This will be notably the case of tax reductions that fall under Article 44 of GBER.

Concretely, the applicants from Sweden which are beneficiaries of such tax reduction will be able to state in their application to the auction call for proposals that they will not be (by the time of Grant Agreement signature) in the situation of cumulation that is not allowed by auction's Terms & Conditions.

69. How can we know if a support measure is considered as State aid? For example, on levies and tax exemptions, or quota systems?

Unfortunately, we are dealing with a large number of questions from projects from all EU Member States and cannot cover/research on behalf of potential applicants the particularities of national State aid cases, as they are the purview of the competent national authorities who implement the State aid measures. If you have questions concerning a specific measure, we advise the following:

- 1) Check if the measure is actually State aid. Many levy and tax exemptions, and quota systems, are designed by MS *not* to be State aid. In this case there is no problem with cumulation (in fact, in this case there simply is no cumulation). You can check the data-base of State aid cases here: <https://competition-cases.ec.europa.eu/search>
- 2) If you have found out that the measure in question is indeed State aid, you can see in the State aid decision whether it was found compatible on the basis of CEEAG 403 or not.
- 3) If you are still unsure whether the State aid measure falls under CEEAG 403, you can contact the national competent authority that put forward the measure.

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| <p>General</p> | <p>70. How is the “state aid” defined? Does it include European aid like IPCEI (Important Projects of Common European Interest), or does it mean aid from the government programs of individual member state of the EEA (European Economic Area)?</p> <p>The T&Cs do not define state aid. See the DG Competition website on State aid for more information. Selective aid provided by Member States is core to the definition of State aid.</p> <p>In those guidelines, state aid is defined under EU law as a selective economic advantage granted by the State and through State resources in any form whatsoever to an undertaking, which distorts or threatens to distort competition and affects trade between Member States.</p> <p>Support provided through the IPCEI (Important Projects of Common European Interest) is considered as State aid and will have to be communicated by the Member State following the guidelines for Communication on State aid to promote the execution of important projects of Common European Interest (C/2021/8481 final).</p> <p>71. Is cumulation allowed if a hydrogen producer has received previous state aid which falls under the EU’s General Block Exemption Regulation (GBER), or is this still a case where previous state aid and cumulation is not allowed?</p> <p>Aid provided under GBER is State aid and thus falls under the cumulation rules stated in Annex 4 of the Terms and Conditions.</p> |
| | <p>72. Is indirect CO2 compensation on the RFNBO production considered state aid?</p> <p>Benefits from indirect carbon compensations are considered State-aid (operational support to production) and subject to the cumulation rules described in the Annex 1 of the Call Text.</p> |
| <p>Support under RRF</p> | <p>73. Could project proposals already admitted to Recovery and Resilience Facility (RRF) support be considered compliant with the cumulation rules set under the T&C and, therefore, receive the additional support under the Auction?</p> <p>Financial support of the RRF can be State aid. In line with section 4 of the T&Cs, “the cumulation with aid for hydrogen producer’s CAPEX or OPEX is NOT allowed”. So if the support for the CAPEX or OPEX of the RFNBO hydrogen-producing installation under RRF is State aid (best checked with your competent national authority, in most cases the ministry or agency providing the subsidy) then this support cannot be cumulated with an additional grant under this Innovation Fund hydrogen auction (regardless of whether the State aid covers the project’s entire cost or only part of it).</p> |
| <p>Support to production</p> | <p>74. Can electrolysis by-products’ credits (e.g., revenues from oxygen sales from electrolysis process) be accounted for in the calculation of the final ‘bid price’ for hydrogen (main product)?</p> |

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| | <p>It is totally up to the company to determine its bid price. As in other competitive auctions, we expect companies to orient themselves closely at their financial model to formulate their bid. I.e. the question that bidders should answer to themselves is “what is the most competitive bid that my project can put in, that still makes it financially viable?” This should of course consider all cost and revenue streams the project is expected to have.</p> <p><i>75. Do I understand correctly that the hydrogen production could be submitted under the Auction, whereas the subsequent production of ammonia (NH3) could be submitted as an IF project (Small, Medium or Large-scale)? Or would the applicant have to choose one of both calls?</i></p> <p>Please refer to the cumulation rules in the published T&Cs. A project receiving support for the production of RFNBO H2 under the auction cannot sell to an off-taker that receives public support for its operational costs, i.e. support to the consumption of those already supported hydrogen volumes. However, if the off-taker (in your case the NH3 producer) is only applying for or receiving CAPEX aid there should be no compatibility issues with the cumulation rules.</p> <p><i>76. How should a company that has been awarded some type of State-Aid support approach their application for the Pilot Auction?</i></p> <p>The T&Cs state that “by the time of the grant agreement signature, the project [must not be] cumulating excluded types of support and will not do so in the future”. From European Commission side we only check this based on a self-declaration, but of course false statements would fall under DG Competition’s general compliance system with State aid and cumulation rules.</p> <p>That said, as long as your project has not actually received any aid yet or choses to terminate other aid contracts by the time of grant agreement signature, the self-declaration can be checked and we don’t require further details from our side. In case of doubt whether a specific measure or support is State aid, you may also consult the competent national authority or national promotional bank implementing the measure. Your ability to decline/terminate previously awarded, but not yet paid out, support from other sources will, of course, depend on the contractual agreements that you may have already signed.</p> <p><i>77. We have won an off-shore wind tender and have committed within said tender to build up a certain electrolyser capacity. Would this be also considered an irreversible commitment, and therefore said capacity not eligible to bid in the auctions?</i></p> <p>The pre-contractual relations requested as part of the bid refer to the relations between an electrolyser supplier and the project, notwithstanding other commitments that the developer can have with project promoters. Please also note that cumulation rules with State-Aid apply as defined in Section 4 of the T&Cs.</p> <p><i>78. Can a project renounce previously achieved, but not yet paid out, State aid to avoid the non-cumulation requirement?</i></p> |
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| | <p>Yes, a project can in principle renounce to State-aid (dependent of course on any legal conditions set out by the provider of that aid). Cumulation rules have to be complied with from the moment of the signature of the grant agreement and during project implementation.</p> |
| | <p>79. Can a Connecting Energy Facility (CEF) subsidy for an electrolyser be combined with support from the auction?</p> <p>A CEF subsidy for the project’s electrolyser cannot be cumulated. As stated in the cumulation table (Section 4 T&Cs), no aid, including additional EU Funding, for the hydrogen producers CAPEX or OPEX can be cumulated.</p> |
| | <p>80. Will successful bidders be allowed to cumulate support from the IF auctions with free allocation EU ETS market allowances? Will hydrogen off-takers – or integrated projects - be allowed to benefit from reduced ETS compliance obligation arising from substituting RFNBO hydrogen?</p> <p>Allocation of the EU ETS allowances are not State aid or EU funding. Projects participating in the auction can therefore benefit from such free allocation.</p> |
| | <p>81. Can the project apply with a portion of the capacity to the Innovation Fund’s auction and with another portion to the innovation Fund’s regular grants?</p> <p>To benefit from both IF grants and auctions, you need to apply with two separate projects proposals (with clearly defined and distinct project boundaries, different cost and revenue structures, separate legal entities, assets, and dedicated metering for the electrolyzer capacity as stated in the bid).</p> <p>For the purpose of application to auction, while it would be acceptable that the submitted environmental and grid connection permits concern the whole capacity, it is required that the following items that are part of the bid/application concern the portion of capacity that bids into the auction only:</p> <ul style="list-style-type: none"> • bid components stated in FIF (portion of capacity and volume this portion will produce and the related price); • financials stated in the FIF (portion of capacity needs to be shown to be financially viable as a free-standing project); • business plan; • electricity sourcing strategy; • offtake and price hedging strategy; • electrolyser procurement strategy; • completion guarantee; • timetable and participant information; <p>For the purpose of identifying the volume of production, the portion of the capacity that bids into the auction will need to have dedicated metering.</p> <p>The certification of the total volume of hydrogen produced as meeting at least 70% GHG reduction will concern the portion stated in the bid.</p> <p>When defining the project boundaries, you need to specify in which application you include the auxiliary installations serving the joint projects (which, as a result, would be an oversized auxiliary installation in the selected project) . The auxiliary</p> |

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| | <p>equipment cannot be funded twice and should be assigned to only one project (ideally the first one to make it a stand-alone project). You will need to explain in AFB how it will serve the second project.</p> <p>Concerning the application to the regular grants, please refer to section 13 of the Innovation Fund call 2023 Net Zero Technologies, in particular that, outside Synergy actions, any given action may receive only ONE grant from the EU budget and cost items may under NO circumstances be declared to two different EU actions. IF regular grants can be a “synergy” action.</p> |
| | <p>82. Can a project make parallel applications to both the IF23 Auction and the IF23 regular grant call?</p> <p>Yes, you can apply with the whole project to both calls (Auction and Regular Grants), but if your project is selected under the auction, at the moment of signing the grant agreement the project must be in compliance with the no-cumulation rules, and remain so during the whole implementation period (i.e. it will not be able to receive the regular grant).</p> |
| | <p>83. If the capacity of the electrolyzer that is part of the bid produces also low-carbon hydrogen, can it receive State aid on those low-carbon hydrogen volumes?</p> <p>In principle, it is not possible to receive State aid for hydrogen producer’s CAPEX or OPEX.</p> <p>However, if you can meter the separate volumes of produced hydrogen (RFNBO and low-carbon) and the State aid is only granted for operational costs (OPEX) of the low-carbon fraction of the production, we can allow this situation and the project can apply to the IF pilot auction. CAPEX support cannot be cumulated.</p> <p>In your “financial information file” (FiF), you will need to state the project’s full capacity, the revenues and costs related to the RFNBO production as well as the revenues and costs related to the non-RFNBO production (including the OPEX support you receive).</p> <p>Your business plan needs to address the whole project.</p> <p>The submitted electricity sourcing and off-take and price hedging strategies should relate only to the RFNBO fraction of the project, for which support under the auction is requested.</p> <p>Please further explain the production of substantial volumes of low-carbon hydrogen in application form B.</p> <p>Please be reminded that beneficiaries will need to provide certification that the total volume of hydrogen produced by the capacity as stated in the bid achieves at least 70% GHG savings following the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (on average, during the disbursement period of the scheme).</p> |

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| Support to off-takers | <p>84. Can an off-taker receive operational aid for other/additional RFNBO hydrogen consumption not supported through the auction? An example: a green steel producer secures 10% of its RFNBO hydrogen consumption from a hydrogen producer who won the IF auction. Can this green steel producer benefit from aid targeting the remaining 90% of its RFNBO hydrogen consumption?</p> <p>The requirement for off-takers not to benefit from aid for operational costs concerns only the volume of (RFNBO) hydrogen acquired that would be receiving support through the Innovation Fund 2023 Auction, i.e. the volume of hydrogen stated in the bid of hydrogen producer (in the example the 10% of RFNBO hydrogen consumption). If it cannot be differentiated which fraction of the off-taker’s hydrogen consumption receives other operational aid (e.g. aid is for the entire consumption volumes of the off-taker), this would be considered a breach of cumulation rules.</p> |
| | <p>85. Assume that the renewable fuel product is used as a maritime fuel with an off-taker who owns the vessels. If the off-taker received foreign government funding to build these new vessels, will that offtake agreement be eligible for this Auction? The Vessels will not be specifically dedicated to this project and are owned and operated by a completely different entity.</p> <p>Please refer to the cumulation rules. CAPEX support for the off-taker (i.e. for the building of the ships) is not excluded under the cumulation rules.</p> |
| | <p>86. Could you provide examples of cases where aid supporting infrastructure is not allowed ?</p> <p>As reflected in section 4 of the T&Cs, State-aid for infrastructure to supply the produced hydrogen to the off-taker (volumes as reflected in the bid) can be cumulated except if the infrastructure is fully dedicated to this project only. “Dedicated infrastructure” is infrastructure that is dedicated to your project only and not (commercially) accessible by other market players. For example, if a publicly financed pipeline is connecting several off-takers receiving hydrogen from several different sources, and the bid includes one producer using that pipeline to supply one of those off-takers, the state-aid associated with the cost of the pipeline can be cumulated. Instead, if two off takers are connected to a publicly financed pipeline that cannot be accessed by other market participants, the state-aid cannot be cumulated.</p> |
| | <p>87. Could you provide examples of aid for operational costs that affect hydrogen consumption levels and that are, therefore, not eligible for the auction?</p> <p>For example: if a fictional steel plant consumes 1000kg of H₂/year and already receives OPEX aid for purchasing 1000kg of H₂, it is no longer an eligible off-taker for the auction, since the hydrogen would be subsidised twice, once on the demand (by the State-aid) and once on the supply side (by the auction).</p> |

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| | <p>88. Will an auction beneficiary be held responsible if a downstream off-taker (but not a direct off-taker) receives hydrogen subsidized through the auction on top of other public aid that impacts its consumption of RNFBO hydrogen?</p> <p>Recipients of IF support from the hydrogen pilot auction will be responsible for ensuring compliance with the cumulation rules (as described in Call Text Annex 1, section 4).</p> <p>Among those cumulation rules, it is stipulated that , “RNFBO hydrogen producers cannot have off-take contracts with consumers/be part of integrated project that benefit from aid for operational costs which affects their renewable hydrogen consumption levels and/or the levels of output”. Please note that cumulation rules limiting OPEX support to the off-taker only refer to volumes of consumed RNFBO hydrogen that receive support through the IF auction.</p> <p>If your project is not an integrated project (i.e. you produce hydrogen and sell it to another entity), the restrictions apply to your direct off-taker(s) buying the RNFBO hydrogen production that benefits from the support: e.g. if you as an auction winner sell hydrogen to an ammonia producer, the ammonia producer must not receive OPEX aid for the hydrogen consumption of volumes already supported through the IF.</p> <p>Importantly, if the direct off-taker of the non-integrated project is an energy trader/aggregator then the non-cumulation obligation is on the consumer of the hydrogen (buying from the trader/aggregator). The need to respect of cumulation rules could be reflected in the contractual arrangements between the trader and the consumer.</p> <p>If your project is an integrated project (e.g. you are producing hydrogen and immediately turning it into ammonia as part of an integrated transformation process), then the restrictions apply to the off-takers of the final output produced by the integrated project that benefit from the support (e.g. if auction winner is an integrated ammonia producer and sells to a fertiliser company, the fertiliser producer cannot cumulate OPEX subsidy for the volumes already supported through the IF).</p> |
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| Completion Guarantee | |
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| General | <p>89. Are any scenarios foreseen where operation may not be started before 5 years after grant agreement signature, when the completion guarantee may not be called? e.g. unforeseen circumstances.</p> <p>No, only a force majeure clause. Negotiated delays of the maximum realisation period are not foreseen, applicants must manage delay risk. The relevant contract template (“Model EU Grant Agreement”) will also be published at the moment of launching the auction.. .</p> <p>90. Estimated time of signature of the grant agreement: we notice that the final completion guarantee document will need to be delivered within 2 months after the auction is cleared. Does it mean the grant agreement is expected to be signed in this short term (2-3 months?). This is quite important for several companies as directly impacts the latest entry into operation date.</p> |

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| | The maximum time to grant agreement is 9 months after the closing date of the auction. However, this process may be concluded much faster. |
| Termination event | <p>91. In case a bidder who has received the invitation letter decides to decline the grant before grant signature, is there a penalty?</p> <p>We strongly encourage applicants to only submit proposals if they intend to sign the Grant Agreement and to receive the Innovation Fund support. Yet, there is no financial penalty for dropping out of the grant agreement preparation process. .</p> |
| Issuers | <p>92. Could you please define what types of financial institutions can issue the completion guarantee? Is an insurance company issuing the requested guarantee valid?</p> <p>The guarantor may be either an approved bank or an approved financial institution, (i.e. one that has been authorised to conduct its business by the competent national authorities). We can confirm that an insurance company can in principle be accepted as a guarantor, if it is an entity authorized by the competent national authority and complies with the specific requirements set in the auction T&Cs (i.e. regarding rating)</p> |
| Templates | <p>93. Will a template for the completion guarantee be made available in advance?</p> <p>Yes, templates for the completion guarantee and completion guarantee LoI has been made available in the EU Funding & Tenders portal. You can also find the link to it on the Innovation Fund’s competitive bidding website here and here.</p> |
| Governing Law | <p>94. The completion bond template documents state about the applicable law: “the applicable EU law, supplemented if necessary, by the law of Belgium” and also states that disputes must be brought before “the courts of Brussels, Belgium”. Is this jurisdiction the only option?</p> <p>Yes, this is the only option. The guarantee will be governed by the applicable EU law, supplemented if necessary, by the law of Belgium, and eventual disputes concerning the interpretation, application or validity of the Guarantee must be brought before the courts of Brussels, Belgium.</p> |

Implementation

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| Payments | <p>95. How will payments be processed concretely? With which timeline/frequency?</p> <p>Payments will be processed semi-annually after the date of entry into operation (i.e. every 6 months), upon verification and certification of semi-annually produced volumes of RFNBO.</p> |
| | <p>96. We understand that production above 140% is possible but not supported. Any extra-production compared to planned production between 100-140% will be supported on a semi-annual basis (in the limit of the support that is restricted to 100% over the overall project volume). Can you confirm?</p> <p>Yes, that is correct. Point 1.10 of the T&Cs states that “Semi-annual production can be increased up to 140% compared to half of the expected average yearly volume of RFNBO hydrogen production, as stated in the</p> |

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| | <p>bid (see point 1.8). Semi-annual production beyond 140% is possible but not supported by grant payments. However, the total grant amount is restricted to 100% of the maximum grant amount.”</p> <p>As a fictive example, your bid may state and average yearly production of 1000kg_H2. Half of that is 500kg_H2, which corresponds to the planned production for each semi-annual payment. Up to 500kg * 140% = 700kg is the maximum production per half-year that can be paid out in each semi-annual payment. If you end up producing at the flexibility maximum of 140% for all consecutive 6 months period, the total project volume (10*1000kg = 10.000kg) will be exhausted already after 7.14 years, at which point the maximum grant amount would have been fully paid and the grant agreement will be terminated.</p> |
| Change in Entry into Operation date | <p>97. Regarding the date of entry of operation claimed in the proposal, is it possible to move it onwards or forward after the grant agreement has been signed, as long as it does not exceed the 5 years maximum time? This makes reference to cases where the project may be delayed or the opposite, be able to start earlier than planned, and if and how this impacts the completion bond call.</p> <p>Yes, the planned date of entry into operation can be changed through a Grant Agreement Amendment, provided that it does not extend beyond 5 years after signature of the grant agreement. As expressed in section 2.2 of the T&Cs, the validity of the guarantee should be “from the date of issuance until six months after the maximum time to entry into operation”. That “maximum” refers to the 5 years maximum time to entry into operation, so an amendment to the grant agreement should not impact the validity period of the guarantee. As also expressed in point 2.2 of the T&Cs “If entry into operation is reached earlier, the guarantee can be released earlier”, a situation that will require the written consent of the granting authority.</p> |

| Hydrogen Product | |
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| Certification | <p>98. You mention "certified and verified RFNBO " in the 2023 pilot auction to produce renewable hydrogen, however there are no schemes approved by the Commission yet to certify RFNBO. How is certification going to take place?</p> <p>For the certification of RFNBO hydrogen, producers will be able to rely on the well-established system of certification by third parties, so-called “Voluntary Schemes”. These are international companies with experience of more than a decade in certifying biofuels, biomass and other products worldwide. There are already some Voluntary Schemes that have applied for Commission recognition to certify renewable hydrogen. Voluntary Schemes will play a very important role in the implementation of the framework, including in spreading the knowledge about the application of the criteria and act as enablers for project promoters. The official recognition procedure of the schemes that have applied is expected to start during 4Q 2023 as the schemes have implemented all requirements. For more information, including a list of certifiers that applied for recognition by the Commission, please visit:</p> |

https://energy.ec.europa.eu/topics/renewable-energy/bioenergy/voluntary-schemes_en

All this means that by the time that project bidding in the auction reach entry into operation, there will be a well-functioning system of certification in place. For further questions on certification, we advise to get in touch with DG Energy colleagues. For clarity / stating the obvious: Certification is only necessary for produced volumes, i.e. after reaching Entry into Operation and not at the stage of the bid.

In addition, Member States can set up national certification schemes (see the RFNBO Delegated Act FAQ point 7)

In addition, as per point 2.10 (section 2) of the T&Cs, beneficiaries will need to provide certification that the total volume of hydrogen produced by the supported installation achieves at least 70% GHG savings according to the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (on average, during the support period of the scheme). This certification can be provided by a third-party certification scheme (as described above) or simply through audited reports, should such a scheme not be available. Please note that this requirement only applies at the end of the project (unlike semi-annual certification for RFNBO volumes described in paragraph above).

99. Our colleagues are exploring the possibility of producing hydrogen from grid-supplied electricity. To do this, we would purchase guaranteed origin (GO) certificates for electricity used. In this case the certification would prove that the energy we buy/use from the grid to produce hydrogen comes from a renewable energy source. In this case, would the hydrogen produced be renewable hydrogen?

Guarantees of Origin (GOOs) alone are not sufficient to fulfil the RFNBO requirements. Please refer to Article 4: “General rules for counting electricity taken from the grid as fully renewable” of the first delegated act for details. Producers will be able to rely on a well-established system of third-party certification (so called voluntary schemes). To date, three Voluntary Schemes have applied for Commission recognition to certify renewable hydrogen and we expect them to be fully recognised by the European Commission before the end of 2023.

100. Can you clarify the methodology to calculate the GHG emission avoidance of minimum 70% at the end of the 10 years?

According to the Auction Call Text, “the beneficiaries will need to provide certification that the total volume of hydrogen produced by the supported electrolyser capacity achieves at least 70% GHG savings according to the rules set out in the Delegated Act C(2023)1086 supplementing the Renewable Energy Directive 2018/2001 (on average, during the disbursement period of the scheme)”. That means that this GHG savings condition must be complied with by the total volume of production of hydrogen delivered by supported capacity at the end of the disbursement period (maximum 10 years). For this 70% requirement, which goes beyond the certification of RFNBO volumes produced, the independent third-party

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| | <p>certificate needs use be obtained under a national scheme or an international voluntary scheme that complies with the requirements set out in Regulation (EU) 2022/996. If such certification (going beyond the RFNBO certification for volumes) is not available at the time, a project coordinator’s own report can be submitted, provided it is audited. Please note that of course for the certification of the RFNBO volumes themselves, for which payments are received, this second option of audited reports does not apply.</p> <p>101. Can the hydrogen producer change the certifier company anytime?</p> <p>Yes, as long as the new certifier it is a certifying body recognized by the European Commission or your Member State to certify RFNBO hydrogen.</p> <p>102. Concerning the definitions of RFNBO in the RED-II Delegated Acts: will the additionality exemption for plants entering into operation before January 2028 apply for the entire duration of the grant, so 10 years?</p> <p>Yes. Please refer to Articles 5 and 11 of the first RFNBO Delegated Act (“Transitional Phase”). For “installations producing renewable liquid and gaseous fuels of non-biological origin that come into operation before 1 January 2028” “Article 5, points (a) and (b) shall not apply until 1st January 2038”.</p> |
| <p>RFNBO definitions</p> | <p>103. Regarding the “additionality principle” for RFBNO fuels, the T&C refer to some situations where this principle can be waived except for one that is considered in the RED-II’s RFNBO Delegated Act: that in which the electricity supply is obtained during an imbalance settlement period of the grid. Could you please confirm if given this situation, the “additionality principle” would also be waived?</p> <p>Yes, we confirm your understanding. The RFNBO Delegated Acts rules apply in their entirety; the T&Cs are referencing the main of the RFNBO Delegated Acts rules but do not re-state the whole legislation. No modifications, additions or omissions to the RFNBO definition in the Renewable Energy Directive and its delegated acts will apply to the Innovation Fund 2023 Auction.</p> |
| <p>Blending</p> | <p>104. The RFNBO hydrogen generated from our facility will be injected into the gas network and blended with the natural gas, supplying a virtual hydrogen off-taker that will purchase 100% of the volumes we produced (blended with natural gas). Will this off-take agreement be valid for the auction?</p> <p>The set-up you describe would be a viable off-take strategy. Please note that we will only be requesting pre-contractual agreements concerning 60% of the total volume supplied during the implementation of the project. In your case, those pre-contractual agreements could be either with the natural gas network operator or the industrial off-taker, depending on who will ultimately pay you for the hydrogen (your direct counterparty). Please note that in the latter case, limitations on cumulation with other aid to the off-taker apply (please refer to section 4 of the T&Cs for further details)</p> |

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| <p>Combined RFNBO and non-RFNBO production</p> | <p>105. Can the same electrolyser capacity produce RFNBO and non-RFNBO volumes during different times of the year?</p> <p>Yes, the electrolyser capacity as stated in the bid can produce both RFNBO hydrogen and non-RFNBO-hydrogen. However:</p> <ul style="list-style-type: none"> (i) only RFNBO volumes are eligible for support under the auction, and only RFNBO volumes must be stated in the bid. Consequently, support will only be paid for verified and certified RFNBO volumes. (ii) at the end of the implementation period, you will need to provide certification that the total volume of hydrogen (RFNBO and non-RFNBO) produced from the capacity as stated in the bid achieves at least 70% GHG savings following the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001. <p>Be also minded that projects producing both RFNBO and non-RFNBO hydrogen should follow these guidelines to fill the FIF: The overall revenues, and costs of the project (both RFNBO and non-RFNBO) need to be inserted in the FIF.</p> <ul style="list-style-type: none"> 4) Bid components: "Installed capacity in the bid" cell G46 needs to be filled with the full electrolyser capacity of the project. 5) Revenues from hydrogen sales need to be split between RFNBO hydrogen and non-RFNBO hydrogen. The volume of RFNBO hydrogen produced should be inserted in lines 68, 73, 78, 83, 88, 93 and 97 of the FIF inputs sheet. Associated relevant prices need to be filled in lines 66, 71, 76, 81, 86, 91 and 96. The volume of non-RFNBO hydrogen produced should be inserted in lines 119 and its price in line 117 in the FIF inputs sheet. 6) The costs of power sourcing for RFNBO hydrogen and non-RFNBO hydrogen should be split. <p>The power costs of RFNBO hydrogen should be inserted in lines 135 to 153. The power costs of non-RFNBO hydrogen should be inserted in lines 161 and 163.</p> |
| <p>Volumes</p> | <p>106. How should the yearly volume of RFNBO hydrogen be calculated? Should the volume be constant on a yearly basis, or can it be variable?</p> <p>The yearly average volume of production of RFNBO is calculated by the project developer based on your available information, such as your expected average yearly renewable power supply correlation parameters, technical characteristics of the electrolyser, etc. We of course acknowledge that intermittent renewable power supply can vary from year to year (e.g. high or low wind years, high or low irradiation years), which is why the production flexibility rules under point 1.10 in the “General auction design elements” table apply. Please note that the yearly average volume of RFNBO is the figure based on which the total production for the period of 10 years and therefore the maximum grant amount is calculated. It also represents a commitment by the developer based on which deviations from the original planned production take place (please refer to production flexibility section 4.2 of the T&Cs).</p> |