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| Stakeholder consultation on draft of economic Terms and Conditions (T&C) of the 2024 Innovation Fund Auction for RFNBO hydrogen productionFeedback table |

Instructions

Thank you for taking the time to provide written feedback on the **draft Terms and Conditions (T&C) of the 2024 Innovation Fund auction** **for RFNBO hydrogen production**. We further hope to see you in person or virtually at our workshop on **12 June 2024,** to discuss the feedback provided

We invite you to provide feedback in the below table on the different design elements of the auction scheme for renewable hydrogen production. Given the high number of interested stakeholders and our ambition to review all relevant feedback in very short time, please mind the following:

* Short, concise feedback, e.g. in bullet points is sought. If you have overall, high-level feedback, please provide it at the beginning restricting yourself to a few paragraphs.
* Please substantiate your feedback with evidence.
* Don’t feel obliged to provide feedback on all points in the table.
* Please indicate what type of stakeholder you are and whether you intend to bid

**Please send your feedback via email to** **clima-auctions@ec.europa.eu** **by 6 June 2024.**

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Information about the respondent and general feedback

**Name:**

**Position:**

**Company / Institution / Member State:**

**Type of Stakeholder (e.g. “H2 project developer”, “H2 offtaker”, “industry association”, “Member State” etc.):**

**Intention to bid in IF24 auction:**

**General feedback (optional):**

1. General auction design elements

| **No.** | **Design Element** | **Specific implementation in Innovation Fund renewable hydrogen auction** | **Feedback** | **Substantiating evidence, data sources, background information** |
| --- | --- | --- | --- | --- |
| **1.0** | Objective of the auction | To cost-efficiently support the production of renewable fuel of non-biological origin (RFNBO) hydrogen within the EEA. |  |  |
| **1.1** | Auctioned good | RFNBO hydrogen produced from water electrolysis in line with requirements put forward in the Renewable Energy Directive (Directive (EU) 2018/2001) and its Delegated Acts C(2023) 1086 final and C(2023) 1087 final.The RFNBO hydrogen needs to be produced by new production capacity (i.e. capacity for which at the time of application start of works did not yet take place) in order to ensure an incentive effect of the subsidy. |  |  |
| **1.2** | Constraining value | The total available Innovation Fund budget of EUR [TBC] million is the constraining value of the auction and is known in advance. For the specific basket for maritime sector, the budget will be EUR [TBC]The total RFNBO hydrogen volume for which support will be awarded derives from the total available budget and the individual bids with their respective bid prices and volumes. The European Commission may decide to make use of a budget flexibility rule of up to an additional 20% of the total budget available based on the pipeline of the projects received.  |  |  |
| **1.3** | Support type | Output-based support (payment per unit of verified and certified RFNBO H2 production). |  |  |
| **1.4** | Reference price | No reference price needs to be defined for a fixed premium auction. |  |  |
| **1.5** | Support form  | Fixed premium  |  |  |
| **1.6** | Safeguards against over-subsidisation | Ensuring competition through market testing, total available budget, a ceiling price, and feedback on the level of competition from one round to another.No claw backs. |  |  |
| **1.7** | Ranking of bids  | Price-only ranking  |  |  |
| **1.8** | Bid components | 1) Fixed premium (“bid price”) in EUR/kg of RFNBO hydrogen production (basis for ranking of bids), expressed with two digits after the comma.2) Expected average yearly volume of RFNBO hydrogen production in kg per year over a 10 year production period. The maximum grant amount is therefore calculated as: $\left[Bid price in\frac{€}{kg}\right]\*\left[expected average yearly volume in\frac{kg}{year}\right]\*10 years$3) The new electrolyser capacity in MWe that will be installed and verified as being operational by the time of entry into operation.  |  |  |
| **1.9** | Minimum and maximum yearly production thresholds | No upper or lower limits to the expected average yearly production as stated in the bid. However, the maximum grant amount requested by each proposal must stay within 1/3 of the total available Innovation Fund budget for the auction (see points 1.2 and 2.3). In the case of the specific basket for maritime sector, the maximum grant amount requested by each proposal must stay within 1/2 of the total available budget in this basket. |  |  |
| **1.10** | Production flexibility rules | 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 bid (see point 1.8). Semi-annual production beyond 140% is possible but not supported by grant payments. The total grant amount is restricted to 100% of the maximum grant amount. See points 4.2 on severe underperformance and 4.3 on semi-annual payment schedule. |  |  |
| **1.11** | Grant duration (disbursement period) | The grant agreement will end ten years after the Entry into Operation of the project (unless the total RFNBO Hydrogen production volume as stated in the bid is reached earlier, due to the production flexibility rules (see line 1.10).See also point 4.2 on grant agreement termination. |  |  |
| **1.12** | Indexation of support  | No indexation. |  |  |
| **1.13** | Technology baskets, differentiation by regions or actors | There will be two budget baskets: (i) a budget of EUR [TBC] million will be earmarked for projects with maritime off-taker(s) and (ii) a general basket. The remainder of the budget is earmarked for projects which do not have off-takers in the maritime sector. For more information on the clearing mechanism, please refer to line 3.8.For a definition of an off-taker in the maritime sector, please refer to Section 3, Qualification Requirements. If a portion of the budget remains unawarded in the maritime basket, that amount will be transferred to the general basket.  |  |  |
| **1.14** | Method and estimate of subsidy per ton of CO2e abated | The value of the subsidy per tonne of CO2e abated will be calculated by CINEA and does not have to be provided by the applicant / does not form part of the evaluation. The expected CO2e abatement per kg of renewable hydrogen produced will be calculated using the 2021-2025 ETS benchmark of 6.84 t\_CO2e/t\_H2. This is a conservative estimate in not taking into account additional carbon abatement due to substitution effects in the RFNBO H2 end use application.  |  |  |
| **1.15** | Resilience related requirements for the electrolyser | The bidder will have to provide as part of its electrolyser procurement strategy (see section 3) information about (i) percentage of the value of the electrolyser allocated to critical raw materials, (ii) end of life / recycling strategy plans, (iii) responsible business conduct, (iv) compliance with safety and performance requirements and standards, and (v) public subsidies received for the production of the electrolyser. Beyond information gathering, the European Commission is looking into incorporating and operationalising solid resilience aspects through the auction design (e.g in the form of non-price criteria, or pre-qualification criteria) in line with the Union’s international obligations. In the light of stakeholder comments in response to this consultation and a stakeholder event in June 2024, further discussions between the Commission’s services will take place before the final Terms & Conditions will be published in Q3 2024. |  |  |

1. Qualification requirements

| **No.** | **Design Element** | **Specific implementation of the Innovation Fund renewable hydrogen auction** | **Feedback** | **Substantiating evidence, data sources, background information** |
| --- | --- | --- | --- | --- |
| **2.1** | Qualification requirements | For further details on qualification requirements see section 3 of the Terms & Conditions**.** *Admissibility:** Strict respect of submission deadlines, use of forms provided by the granting authority and submitted through the Funding and Tenders Portal, and compliance with presenting all required documentation (Application Forms), together with mandatory documents and supporting documents, including a Gantt chart outlining the project timeline and a financial information file (with a template-based financial model and bid components))

*Eligibility:** Proposals must relate to projects located in the EEA.
* Project and budget size in the limits expressed in point 2.3
* The bid amount may not exceed the ceiling set in point 3.7
* Compliance with legal entity checks (compliance with EU exclusion situation limitations (default, prosecution, etc). All beneficiaries will have to be validated.
* No geographical limitation on origin of members of the consortium.
* Signed self-declarations, see section 3 of the Terms & Conditions (also part of Application Form Part B)

*Relevance and Quality.** The proposals will be evaluated on a pass/fail basis on relevance, technical, financial, and operational maturity assessed based on the documents listed in section 3 of the Terms & Conditions and their description in Application Form B.

After evaluation and before grant agreement signature, an additional financial capacity check will be made, to ensure that applicants have stable and sufficient resources to successfully implement the projects and contribute their share. |  |  |
| **2.2** | Completion guarantee | A completion guarantee covering 10% of the maximum grant amount (see point 1.8) will be requested. The guarantee must be issued by a bank or financial institution (rated at least BBB-/Baa3) and must be able to be called by the granting authority if the project does not reach approved entry into operation within 3 years after signing the grant agreement (see point 4.1). The completion guarantee shall be issued at the latest two months after receiving the evaluation result letter inviting the selected applicants for grant agreement preparation. It shall be valid from the date of issuance until six months after the maximum time to entry into operation (i.e. after verification that the electrolyser capacity stated as part of the bid production capacity is operational). The duration of the completion guarantee is expected to be at least 3 years and 11 months, and it will have to be issued no later than two months after the receipt of the invitation letter. A template will be made available and will have to be used.If entry into operation is reached earlier, the guarantee can be released earlier.A letter of intent from a bank or financial institution to issue a completion guarantee will be required as part of the proposal. A template will be made available and will have to be used (no changes to the template are allowed).The enforcement of completion guarantees is further explained in point 4.2.  |  |  |
| **2.3** | Minimum or maximum restriction for project size and for bid volume | Maximum grant amount restriction for each bid: 1/3 of the total available budget defined for the auction basket.In the case of the specific basket for maritime sector, the maximum grant amount requested by each proposal must stay within 1/2 of the total available budget in this basket.Minimum technical requirements: 5 MWe of newly installed electrolyser capacity (which must be in a single location; virtual pooling of capacity is not permitted).  |  |  |
| **2.4** | Off-taker restrictions | No off-take restrictions in the overall auction.However, limitations apply within each budget basket. Please refer to section 1.13  |  |  |
| **2.6** | Regulations for transporting hydrogen | Infrastructure costs can be priced into the bid but there is no explicit mechanism to offset comparative disadvantage of projects with infrastructure costs. |  |  |
| **2.7** | Consideration of “General measures”[[1]](#footnote-2)  | See section 4 of the Terms & Conditions on cumulating support under auction with other public support. |  |  |
| **2.8** | Cumulating support under auction with other public support for RFNBO hydrogen producer | See section 4 of the Terms & Conditions on cumulating support under auction with other public support. |  |  |
| **2.9** | Cumulating support under auction with other public support for RFNBO hydrogen off-taker | See section 4 of the Terms & Conditions on cumulating support under auction with other public support. |  |  |
| **2.10** | Exclusion of cross-subsidisation of “grey” hydrogen | Beneficiaries will need to provide certification that the total volume of hydrogen produced by the supported capacity 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). The certification will be required as a deliverable for the last work package (independent third-party certificate or audited reports). |  |  |

1. Design elements defining the auction procedure

| **No.** | **Design Element** | **Specific implementation in Innovation Fund renewable hydrogen Auction** | **Feedback** | **Substantiating evidence, data sources, background information** |
| --- | --- | --- | --- | --- |
| **3.1** | Competitiveness of the process | No discrimination against participants in auction.Transparency on requirements and sufficient lead times to prepare bids.Total available budget with possible 20% budget flexibility is a limiting constraint.No ex-post adjustments of auction rules. |  |  |
| **3.2** | Single vs. multiple-item auction | Multiple-items |  |  |
| **3.3** | One-stage or two-stage auction | One-stage.  |  |  |
| **3.4** | Auction type | Static auction. |  |  |
| **3.5** | Pricing rules | Pay-as-bid. |  |  |
| **3.6** | Minimum prices | No minimum price. |  |  |
| **3.7** | Ceiling prices | Disclosed ceiling price: 3.50 €/kg of hydrogen produced as a maximum bid for the fixed premium. The same ceiling price would apply to both the general basket and the maritime basket of the auction.rounds. |  |  |
| **3.8** | Clearing mechanism and marginal bid | Bids are awarded based on the bid price until the total budget available for the auction is allocated. Proposals whose requested grant amount fits within the Innovation Fund call budget will be also assessed against operational capacity and the relevance and quality award criteria, on a pass/fail basis.The last bid that exceeds the total budget available will be added to the reserve list.The European Commission may decide to make use of a flexibility rule of up to an additional 20% of the total budget available. The maritime basket will be cleared first. If a portion of the budget remains unawarded in the maritime basket, that amount will be transferred to the general basket. If a portion of the budget remains unawarded in the general basket, that amount will be transferred to the maritime basket and the clearance of the latter revised with the additional available budget. Any remaining budget afterwards will be transferred to the next auction.  |  |  |
| **3.9** | Tiebreaker rule | For proposals with the same bid price, a priority order will be determined according to the following approach:Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in descending order:* + 1. Proposals with the overall smaller maximum grant requirement will be considered to have higher priority.
		2. If this doesn’t allow to determine the priority, proposals located in a country[[2]](#footnote-3)with fewer funds awarded previously under the Innovation Fund will be considered to have higher priority.
		3. If this also doesn’t allow to determine the priority, then proposal with a shorter time until entry into operation are considered to have higher priority.
 |  |  |
| **3.10** | Minimum volume of bidders | All conditions are set ex ante; the auction volume will not be adapted to the observed participation, except for the possibility of applying of a budget flexibility rule of up to 20% of additional budget.  |  |  |

1. Design elements defining rights and obligations

| **No.** | **Design Element** | **Specific implementation in Innovation Fund renewable hydrogen Auction** | **Feedback** | **Substantiating evidence, data sources, background information** |
| --- | --- | --- | --- | --- |
| **4.1** | Maximum time to entry into operation | 3 years. The maximum time to entry into operation is defined as the period between signature of the grant agreement and entry into operation.  |  |  |
| **4.2** | Sanctions in case of non-compliance with support requirements | If the maximum time to entry into operation is exceeded, the grant agreement will be terminated, and the granting authority will call the completion guarantee described in point 2.2 A project entering into operation should be able to demonstrate as operational a nameplate capacity of at least 100% of that expressed in the bid. The entry into operation needs to be approved by the granting authority. Further, the grant agreement may be terminated and the grant reduced if the verified and certified RFNBO hydrogen production falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3 year period. If the project cannot certify that the overall total amount of hydrogen produced achieves at least 70% GHG savings (see point 2.10), the grant may be reduced. If a project was awarded under the maritime basket, it will have to demonstrate during implementation that at least 60% of the total volume of hydrogen production as stated in the bid will be directed to a maritime off-taker. If the project is not able to demonstrate signed contracts for 60% of the production volumes with a maritime off-taker at the moment of reaching Financial Close, it will be terminated. At the end of the implementation period, the project will have to demonstrate the compliance with this requirement. Non-compliance will result in proportional reduction of the maximum grant. |  |  |
| **4.3** | Payment schedules | Semi-annual (every 6 months after entry into of operation) |  |  |
| **4.4** | Reporting requirements | Until entry into operation, projects will have to report annually on their progress and on key milestones such as reaching financial close and entry into operation. After entry into operation, projects will report periodically alongside their requests for payment. Reports will concern the verification and certification of the produced volume of RFNBO hydrogen.The beneficiaries will need to provide certification that the total volume of hydrogen produced during the support period achieves at least 70% GHG savings according to the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (calculated and certified at the end of the support period of the scheme). Certification can be provided by a third party or through audited reports.Beneficiaries awarded under the maritime basket will report periodically, alongside their request for payment, on the status of off-takers and the sectors towards which the production of hydrogen is being directed. The beneficiaries will report periodically, alongside their request for payment, on the absence of cumulation as stipulated in the section 4. To fulfil the call objective of price discovery and contribution to market formation, the bid components of successful applicants[[3]](#footnote-4), will be published. Bid prices of non-successful applicants will be published in an anonymized way. Off-take prices of all proposals will be published in an anonymized and aggregated way to avoid identification of applicants or their customers. |  |  |

1. Design elements defining the auction and framework conditions

| **No.** | **Design Element** | **Specific implementation in Innovation Fund renewable hydrogen auction** | **Feedback** | **Substantiating evidence, data sources, background information** |
| --- | --- | --- | --- | --- |
| **5.1** | Scheduling/auction frequency | To be defined based on participation received in previous auctions. |  |  |
| **5.2** | Timing of the auction (early stage or late-stage auction) | Late-stage auction.  |  |  |
| **5.3** | Granting authority | Climate, Infrastructure and Environment Executive Agency (CINEA) |  |  |

1. Qualification Requirements

| **No.** | **Design Element** | **Feedback** | **Substantiating evidence, data sources, background information** |
| --- | --- | --- | --- |
| **6.1** | Admissibility |  |  |
| **6.2** | Eligibility |  |  |
| **6.3** | Assessment of renewable electricity sourcing strategy |  |  |
| **6.4** | Assessment of the hydrogen off-take and price hedging strategy |  |  |
| **6.5** | Assessment of electrolyser procurement strategy |  |  |
| **6.6** | Assessment of environmental permits |  |  |
| **6.7** | Completion guarantee letter of intent |  |  |
| **6.8** | Assessment of maturity |  |  |

1. Rules for cumulation of support

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Design Element** | **Feedback** | **Substantiating evidence, data sources, background information** |
| **7.1** | Cumulation Rules |  |  |

1. Other Comments

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Design Element** | **Feedback** | **Substantiating evidence, data sources, background information** |
| **8.1** | **Main assumptions informing the quantification used to demonstrate the incentive effect, necessity and proportionality, based on the results of the pilot auction (IF23 Auction)** |  |  |
| **8.2** |  |  |  |

1. (e.g. green premium stemming from regulations) [↑](#footnote-ref-2)
2. From the EEA. [↑](#footnote-ref-3)
3. Namely bid price, volume and capacity as well as the name of the applicant, anonymized and aggregated off-take prices as stated in the financial information file. [↑](#footnote-ref-4)