



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 IF24 Auction**

## **Draft Terms and Conditions**

Date: 30 April 2024

Version: 1.1

Authors: CLIMA C.2 – Low Carbon Solutions (II):  
Research & Low Carbon Technology  
Deployment

## TABLE OF CONTENTS

|  |           |
|--|-----------|
| <b>1. Background and auction objectives.....</b>   | <b>3</b>  |
| <b>2. Overview of auction design elements for the second Innovation Fund hydrogen auction ..</b> | <b>3</b>  |
| 2.1 General auction design elements.....   | 4         |
| 2.2 Qualification requirements.....  | 7         |
| 2.3 Design elements defining the auction procedure .....   | 9         |
| 2.4 Design elements defining rights and obligations .....  | 11        |
| 2.5 Design elements defining the auction and framework conditions .....                          | 12        |
| <b>3. Qualification requirements .....</b>   | <b>14</b> |
| Admissibility: .....   | 14        |
| Eligibility: .....   | 14        |
| Relevance and quality (pass/fail).....   | 15        |
| <b>4. Rules for cumulation of support under the auction with other public support .....</b>      | <b>20</b> |

## 1. Background and auction objectives

The Innovation Fund (INNOVFUND) is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies. The Innovation Fund aims to demonstrate and commercialise industrial solutions to decarbonise Europe and support its transition to climate neutrality. It is funded by revenues from the European Union Emission Trading System (EU ETS).

The revised ETS Directive of 2023 established the possibility of using competitive bidding mechanisms (i.e. auctions) to award the Innovation Fund funding. The objectives of the competitive bidding mechanism are fourfold:

- A cost-efficient way of distributing financial support. Auctions have been a significant instrument in the power sector in many Member States<sup>1</sup>, bringing down the support costs for renewable electricity by magnitudes.
- Price discovery and market formation. Auctions can reveal the “real” cost of certain activities or products if there is sufficient competition. This creates valuable data points for the public sector but also helps to create markets where there are none yet, by providing vetted price points.
- De-risking projects and leveraging private capital into them.
- Reducing administrative burden for projects developers and contracting authorities.

The revised ETS Directive calls for special attention to the support from Innovation Fund to the maritime transport sector which is subject to EU ETS as of 1 January 2024. This auction contains a specific basket for maritime transport sector off-takers.

With the RePowerEU Plan<sup>2</sup> to reduce dependencies on Russian fossil fuels, the European Commission explicitly states renewable hydrogen uptake in industrial processes as a central measure to reduce fossil fuel consumption in hard-to-abate industrial sectors. The RePowerEU<sup>3</sup> set the aim to make 10 million tons of domestically produced and 10 million tons of imports of renewable hydrogen available annually in Europe by 2030.

In November 2023, a pilot auction was launched to support RFNBO hydrogen producers located in the EEA (European Economic Area) with a fixed premium in EUR / kg of RFNBO H2 produced during a maximum period of 10 years. The auction closed on 8 February 2024 and received 132 bids from 17 countries.

The first auction already enabled Member States to use the auction “as-a-service”. Through this “Auctions-as-a-Service” scheme, EEA countries can opt to use national budget resources to award support to national projects while relying on the Innovation Fund's EU-wide auction mechanism to identify the most competitive projects. This scheme avoids fragmentation of public support at the early stage of hydrogen market formation in Europe while facilitating administrative procedures and State-aid clearance as national support follows the design of the Innovation Fund's auction. For the 2023 pilot auction, Germany contributed with a budget of EUR 350 million.

## 2. Overview of auction design elements for the second Innovation Fund hydrogen auction

Based on the large oversubscription of the 2023 pilot auction, the European Commission will launch a second auction directed to support RFNBO hydrogen producers located in the EEA with a budget of EUR [TBD] million in 2024. IF

---

<sup>1</sup> Competitive auctions are the recommended under the Guidelines on State aid for climate, environmental protection and energy (CEEAG): [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C\\_.2022.080.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A080%3ATOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2022.080.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A080%3ATOC).

<sup>2</sup> European Commission (2022): REPowerEU Plan. COM/2022/230 final.

<sup>3</sup> RePowerEU Plan (COM(2022) 230)

support will be again directed to RFNBO hydrogen producers located in the EEA in the form of a fixed premium payment upon verified and certified production for a maximum period of 10 years.

This support is still needed, as most projects would not be carried out without the proposed support from the IF innovation Fund, given the significant gap between their costs of producing RFNBO hydrogen and the price achievable on the market. The support will be allocated through an open competitive bidding procedure that will ensure a proportionate remuneration of the projects funding gap.<sup>4</sup> The ranking of proposals that will directly reflect the environmental benefits the scheme aims to achieve, as displacing (products made using) fossil-based hydrogen with (products made using) the RFNBO hydrogen produced under the scheme will reduce GHG emissions.

In this context, the EC is carrying out a public consultation to incorporate “lessons learnt” to improve the design for the second auction round.

**This document presents the *Draft Terms and Conditions*** on which the Second Innovation Fund Auction for RFNBO Hydrogen will be based. Several improvements are proposed by the Commission services already. Following feedback in the context of this public 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.

To ease orientation, the design elements have been split into five categories:

- general auction design elements
- qualification requirements
- auction procedure
- rights and obligations
- auction framework conditions

## 2.1 General auction design elements

*Table 1: Overview of design elements for the Innovation Fund competitive bidding mechanism - general design*

| No. | Design Element           | Specific implementation in Innovation Fund renewable hydrogen auction  | Suggested change from IF23 Auction                               |
|-----|--------------------------|--|--|
| 1.0 | Objective of the auction | To cost-efficiently support the production of renewable fuel of non-biological origin (RFNBO) hydrogen within the EEA.   | No change  |
| 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.<br><br>The RFNBO hydrogen needs to be produced by <i>new</i> production capacity (i.e. capacity for which at the time of application start of works <sup>5</sup> did not yet take place) in order to ensure an incentive effect of the subsidy. | No change beyond the precision on water electrolysis technology. |

<sup>4</sup> This assessment is made based on the results of the pilot auction (IF23 Auction) which can be consulted on the following link: [https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/competitive-bidding\\_en](https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/competitive-bidding_en)

<sup>5</sup> The first firm commitment (equipment or starting construction) making an investment irreversible. Buying land and preparatory works (e.g. obtaining permits and conducting preliminary feasibility studies) are not considered as start of works.

| No. | Design Element                                   | Specific implementation in Innovation Fund renewable hydrogen auction   | Suggested change from IF23 Auction  |
|-----|--|---|---|
| 1.2 | Constraining value                               | <p>The total available Innovation Fund budget of EUR [TBC] million is the constraining value of the auction and is known in advance.</p> <p>For the specific basket for maritime sector, the budget will be EUR [TBC]</p> <p>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.</p> <p>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.</p>  | New constraining value. Budget not yet determined   |
| 1.3 | Support type                                     | Output-based support (payment per unit of verified and certified RFNBO H2 production).  | No change   |
| 1.4 | Reference price                                  | No reference price needs to be defined for a fixed premium auction.   | No change   |
| 1.5 | Support form                                     | Fixed premium   | No change   |
| 1.6 | Safeguards against over-subsidisation            | <p>Ensuring competition through market testing, total available budget, a ceiling price, and feedback on the level of competition from one round to another.</p> <p>No claw backs.</p>  | Clarification that the ceiling price is also an element avoiding over-subsidisation.                    |
| 1.7 | Ranking of bids                                  | Price-only ranking  | No change   |
| 1.8 | Bid components                                   | <p>1) Fixed premium (“bid price”) in EUR/kg of RFNBO hydrogen production (basis for ranking of bids), expressed with two digits after the comma.</p> <p>2) Expected average yearly volume of RFNBO hydrogen production in kg per year over a 10 year production period.</p> <p>The maximum grant amount is therefore calculated as:</p> $\left[ \text{Bid price in } \frac{\text{€}}{\text{kg}} \right] * \left[ \text{expected average yearly volume in } \frac{\text{kg}}{\text{year}} \right] * 10 \text{ years}$ <p>3) The new electrolyser capacity in MWe that will be installed and verified as being operational by the time of entry into operation.</p> | No change   |
| 1.9 | Minimum and maximum yearly production thresholds | <p>No upper or lower limits to the expected average yearly production as stated in the bid.</p> <p>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).</p> <p>In the case of the specific basket for maritime sector, the maximum grant amount requested by</p>   | Specific maximum grant amount limit for the maritime basket, at 1/2 of the total budget of that basket. |

| No.  | Design Element   | Specific implementation in Innovation Fund renewable hydrogen auction  | Suggested change from IF23 Auction   |
|------|--|--|--|
|      |  | each proposal must stay within 1/2 of the total available budget in this basket.   |  |
| 1.10 | Production flexibility rules                             | <p>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.</p> <p>The total grant amount is restricted to 100% of the maximum grant amount.</p> <p>See points 4.2 on severe underperformance and 4.3 on semi-annual payment schedule.</p>   | No change  |
| 1.11 | Grant duration (disbursement period)                     | <p>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).</p> <p>See also point 4.2 on grant agreement termination.</p>   | No change  |
| 1.12 | Indexation of support                                    | No indexation.   | No change  |
| 1.13 | Technology baskets, differentiation by regions or actors | <p>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.</p> <p>For a definition of an off-taker in the maritime sector, please refer to Section 3, Qualification Requirements.</p> <p>If a portion of the budget remains unawarded in the maritime basket, that amount will be transferred to the general basket.</p> | Introduction of a basket for projects supplying RFNBO hydrogen to off-takers in the maritime sector, in line with the requirements of the ETS Directive, and the Communication on Europe's 2040 climate target and path to climate neutrality by 2050.   |
| 1.14 | Method and estimate of subsidy per ton of CO2e abated    | <p>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.</p> <p>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.</p>  | Clarification on how the subsidy per of CO2e abatement is calculated.  |
| 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  | <p>Resilience related information on electrolyser is gathered.</p> <p>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</p> |

| No. | Design Element | Specific implementation in Innovation Fund renewable hydrogen auction                | Suggested change from IF23 Auction   |
|-----|----------------|--|--|
|     |                | standards, and (v) public subsidies received for the production of the electrolyser. | 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. |

**2.2 Qualification requirements.**

Bidders need to fulfil qualification requirements to have their bids ranked. Qualification aims to ensure that bidders are capable of implementing the project, the project is sufficiently advanced to be implemented and the participation in the auction is not used for speculative bids. The following table lists the qualification requirements for the Innovation Fund renewable hydrogen auctions. Qualification requirements will be assessed on a Pass/Fail basis.

*Table 2: Overview of design elements for the Innovation Fund competitive bidding mechanism – qualification requirements*

| No. | Design Element             | Specific implementation of the Innovation Fund renewable hydrogen auction  | Suggested change from IF23 Auction |
|-----|----------------------------|--|------------------------------------|
| 2.1 | Qualification requirements | <p>For further details on qualification requirements see section 3 of the Terms &amp; Conditions.</p> <p><u>Admissibility:</u></p> <ul style="list-style-type: none"> <li>• 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))</li> </ul> <p><u>Eligibility:</u></p> <ul style="list-style-type: none"> <li>• Proposals must relate to projects located in the EEA.</li> <li>• Project and budget size in the limits expressed in point 2.3</li> <li>• The bid amount may not exceed the ceiling set in point 3.7</li> <li>• Compliance with legal entity checks (compliance with EU exclusion situation limitations (default, prosecution, etc). All beneficiaries will have to be validated.</li> <li>• No geographical limitation on origin of members of the consortium.</li> <li>• Signed self-declarations, see section 3 of the Terms &amp; Conditions (also part of Application Form Part B)</li> </ul> <p><u>Relevance and Quality.</u></p> | No change                          |

| No. | Design Element   | Specific implementation of the Innovation Fund renewable hydrogen auction  | Suggested change from IF23 Auction  |
|-----|--|--|---|
|     |  | <ul style="list-style-type: none"> <li>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 &amp; Conditions and their description in Application Form B.</li> </ul> <p>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.</p>  |   |
| 2.2 | Completion guarantee   | <p>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).</p> <p>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.</p> <p>If entry into operation is reached earlier, the guarantee can be released earlier.</p> <p>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).</p> <p>The enforcement of completion guarantees is further explained in point 4.2.</p> | <p>Change:</p> <ul style="list-style-type: none"> <li>Increased value of completion guarantee from 4% to 10%</li> <li>Time to entry into operation reduced from 5 years to 3 years</li> </ul> |
| 2.3 | Minimum or maximum restriction for project size and for bid volume | <p>Maximum grant amount restriction for each bid: 1/3 of the total available budget defined for the auction basket.</p> <p>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.</p> <p>Minimum technical requirements: 5 MWe of newly installed electrolyser capacity (which must be in a single location; virtual pooling of capacity is not permitted).</p>  | <p>Changes:</p> <ul style="list-style-type: none"> <li>Specific maximum grant amount for the maritime sector basket.</li> </ul>   |



| No.  | Design Element  | Specific implementation of the Innovation Fund renewable hydrogen auction   | Suggested change from IF23 Auction  |
|------|---|---|---|
| 2.4  | Off-taker restrictions  | No off-take restrictions in the overall auction.<br>However, limitations apply within each budget basket. Please refer to section 1.13  | No change in the overall auction, but limitations introduced for each basket. |
| 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.  | No change   |
| 2.7  | Consideration of “General measures” <sup>6</sup>  | See section 4 of the Terms & Conditions on cumulating support under auction with other public support.  | No change   |
| 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.  | No change on substance – improved clarity of requirements                     |
| 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.  | No change on substance – improved clarity of requirements                     |
| 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). | No change   |

## 2.3 Design elements defining the auction procedure

Table 2: Overview of design elements for the Innovation Fund competitive bidding mechanism - auction procedure

| No. | Design Element                 | Specific implementation in Innovation Fund renewable hydrogen Auction  | Suggested change from IF23 Auction |
|-----|--------------------------------|--|------------------------------------|
| 3.1 | Competitiveness of the process | No discrimination against participants in auction.<br>Transparency on requirements and sufficient lead times to prepare bids.<br>Total available budget with possible 20% budget flexibility is a limiting constraint.<br>No ex-post adjustments of auction rules. | No change                          |

<sup>6</sup> (e.g. green premium stemming from regulations)

| No. | Design Element                      | Specific implementation in Innovation Fund renewable hydrogen Auction  | Suggested change from IF23 Auction   |
|-----|-------------------------------------|--|--|
| 3.2 | Single vs. multiple-item auction    | Multiple-items   | No change  |
| 3.3 | One-stage or two-stage auction      | One-stage.   | No change  |
| 3.4 | Auction type                        | Static auction.  | No change  |
| 3.5 | Pricing rules                       | Pay-as-bid.  | No change  |
| 3.6 | Minimum prices                      | No minimum price.  | No change  |
| 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.  | Ceiling price reduced from 4.5 to 3.5 EUR/kg                                   |
| 3.8 | Clearing mechanism and marginal bid | <p>Bids are awarded based on the bid price until the total budget available for the auction is allocated.</p> <p>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.</p> <p>The last bid that exceeds the total budget available will be added to the reserve list.</p> <p>The European Commission may decide to make use of a flexibility rule of up to an additional 20% of the total budget available.</p> <p>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.</p> <p>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.</p> | Option to use the flexibility rule of up to 20% of the total budget available. |
| 3.9 | Tiebreaker rule                     | <p>For proposals with the same bid price, a priority order will be determined according to the following approach:</p> <p>Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in descending order:</p> <ol style="list-style-type: none"> <li>1) Proposals with the overall smaller maximum grant requirement will be considered to have higher priority.</li> <li>2) If this doesn't allow to determine the priority, proposals located in a</li> </ol>  | No change  |

| No.  | Design Element            | Specific implementation in Innovation Fund renewable hydrogen Auction  | Suggested change from IF23 Auction   |
|------|---------------------------|--|--|
|      |                           | <p>country<sup>7</sup>with fewer funds awarded previously under the Innovation Fund will be considered to have higher priority.</p> <p>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.</p> |  |
| 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.   | Possibility of adapting the auction volume with the limits of the 20% budget flexibility rule. |

## 2.4 Design elements defining rights and obligations

Table 3: Overview of design elements for the Innovation Fund competitive bidding mechanism - Rights and obligations

| No. | Design Element  | Specific implementation in Innovation Fund renewable hydrogen Auction  | Suggested change from IF23 Auction  |
|-----|---|--|---|
| 4.1 | Maximum time to entry into operation                          | <p>3 years.</p> <p>The maximum time to entry into operation is defined as the period between signature of the grant agreement and entry into operation.</p>  | Change: reduction of the maximum time to EiO from 5 to 3 years  |
| 4.2 | Sanctions in case of non-compliance with support requirements | <p>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</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p> | <p>Change:</p> <ul style="list-style-type: none"> <li>● Emphasis that the EiO achievement must be approved by the IF implementation authority.</li> <li>● For projects participating in the maritime basket, termination if not compliant with the required maritime off-taker at the moment of reaching Financial Close, and grant reduction if non-compliance at the end of the implementation period.</li> </ul> |

<sup>7</sup> From the EEA.

|     |                        |  |   |
|-----|------------------------|--|---|
|     |                        | 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)   | No change   |
| 4.4 | Reporting requirements | <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The beneficiaries will report periodically, alongside their request for payment, on the absence of cumulation as stipulated in the section 4.</p> <p>To fulfil the call objective of price discovery and contribution to market formation, the bid components of successful applicants<sup>8</sup>, 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.</p> | <p>Change:</p> <ul style="list-style-type: none"> <li>• For projects applying into the maritime basket, need to report on the off-take sector during implementation (at FC and end of monitoring period) and to</li> <li>• Need to confirm during implementation the absence of cumulation as required in the T&amp;C.</li> </ul> |

**2.5 Design elements defining the auction and framework conditions**

*Table 4: Overview of design elements for the Innovation Fund competitive bidding mechanism - auction and framework conditions*

| No. | Design Element  | Specific implementation in Innovation Fund renewable hydrogen auction | Suggested Text  |
|-----|---|---|---|
| 5.1 | Scheduling/auction frequency                              | To be defined based on participation received in previous auctions.   | Change: schedule of auctions dependent on the participation received in previous auction calls. |
| 5.2 | Timing of the auction (early stage or late-stage auction) | Late-stage auction.   | No change   |

<sup>8</sup> 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.

|     |                    |  |           |
|-----|--------------------|--|-----------|
| 5.3 | Granting authority | Climate, Infrastructure and Environment Executive Agency (CINEA) | No change |
|-----|--------------------|--|-----------|

### 3. Qualification requirements

#### Key changes

- All strategies required: a template will be provided as part of the call documents for the strategy and the necessary LoIs/MoUs.
- Off-taker strategy: specific requirements for projects participating in the maritime budget basket.
- Environmental and grid connection permits: clarification on the documents required.

To qualify for the price ranking stage of the auction, applicants must submit a range of information that will be checked and evaluated by CINEA on a pass/fail basis.

#### Admissibility:

Strict respect of submission deadlines and complete proposals need to be submitted through the Funding and Tenders Portal and contain all required documentation using the mandatory forms and templates provided:

1. Application Forms
2. Mandatory supporting documents:
  - Calculator/Financial information file (FIF), which includes a simplified financial model and contains the bid components:
    - the bid price in €/kg RFNBO hydrogen, expressed precisely with two digits after the comma
    - the expected average yearly volume of RFNBO hydrogen production (kg/year) over a 10-year production period
    - the electrolyser capacity (MWe) that will be installed and verified as being operational by the time of entry into operation
  - Participant information
  - Timetable/Gantt chart, including financial close and entry into operation milestones
  - Renewable electricity sourcing strategy
  - Hydrogen off-take and price hedging strategy
  - Electrolyser procurement strategy
  - Evidence of initiated process with relevant national or regional authority to receive an environmental permit within the maximum time to entry into operation
  - Evidence of the strategy to receive a grid connection within the maximum time to entry into operation (only for projects planning to procure electricity from the grid)
  - Letter of intent from a bank or financial institution (min rating BBB-/Baa3) to issue a completion guarantee against the achievement of entry into operation. The signed completion guarantee must be issued no later than two months after the receiving evaluation result letter inviting the successful applicants for the grant agreement preparation.

#### Eligibility:

Proposals must relate to projects located in the EEA.

The electrolyser capacity must be installed in a single location (no virtual pooling).

Project and budget size are within the limits expressed in point 2.3.

The bid amount may not exceed the ceiling set in point 3.7.

Compliance with the EU Central Validation Service requirements.

There will be no geographical limitation of origin for the consortium. All beneficiaries will have to be validated.

Compliance with EU exclusion situation limitations (default, sanctions, prosecution, Deggendorf rule, etc).

Self-declarations as part of application form Part B:

- Commitment to produce RFNBO hydrogen, as defined in the renewable energy directive and its delegated acts.
- New capacity. The capacity applied for (capacity as stated in the bid) is new capacity, i.e. works have not started by the time of submission of the application, for the capacity to which the bid refers, in line with the definitions in paragraph 82 of the Guidelines on State aid for climate, environmental protection and energy (COM 2022/C 80/01).
- No risk of cross-subsidisation of grey hydrogen. The beneficiaries will need to provide certification that the total volume of hydrogen produced achieves at least 70% GHG savings according to rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (on average, during the support period of the scheme). Certification can be provided by a third party or through audited reports, at the end of the disbursement period.
- Compliance with rules on cumulation of support under the auction with other public support (*see also section 4 of the Terms & Conditions*).
- Compliance with EU exclusion situation limitations (among others, exclusion of undertakings concerned by the Deggendorf rule<sup>9</sup>).
- Agreement to the publication of the following information: (i) identified bid price, volume, capacity and name for successful bidders, (ii) anonymised bid price, volume and capacity for unsuccessful bidders, (iii) anonymised and aggregated off-take prices for all bidders.
- Agreement on sharing the information of the proposal (information on the project proponents, their projects, their contact details, the amount of Innovation Fund support requested and, envisaged dates of financial close and entry into operation) with Member States authorities and Innovation Fund National Contact Points of the MS where the project is located.

#### Relevance and quality (pass/fail)

##### **Relevant documents:**

- 1) Assessment of renewable electricity sourcing strategy

The submitted renewable electricity sourcing strategy needs to demonstrate that the project has a credible plan and has taken initial pre-contractual steps towards securing renewable electricity that in volumes and time profile matches the 60% of volumes of RFNBO hydrogen as stated in the proposal. The electricity sourcing strategy should address the main principles of RFNBO hydrogen production: additionality, geographical and temporal correlation.

For each expected electricity source, the following information must be stated:

---

<sup>9</sup> Undertakings that have received incompatible aid and are subject to a recovery obligation.

- a) Name of renewable electricity provider or indication of own assets<sup>10</sup>, where applicable.
- b) Type of renewable electricity source.
- c) Type of connection (dedicated assets with a direct connection with the renewable electricity generation asset or connection via the grid).
- d) Volume of electricity supplied from the source (incl. % of absolute volume needed for the project).
- e) Pricing structure (fixed price, collar, price floor, floating, indexed etc.).
- f) Duration of supply.
- g) Where the sourcing of the electricity is dependent on significant energy infrastructure<sup>11</sup> that needs to materialise on time, please describe and provide a timeline (including permitting) for that infrastructure to become operational in line within the maximum time to entry into operation of the auction.

a) to f) must be represented in an overview table for all electricity sources.

In addition, g) can be represented graphically with charts for an illustrative year and month.

For at least 60% of the required total electricity volumes during the project's implementation period, Memoranda of Understanding (MoU), Letters of Intent (LoI) or other forms of pre-contractual signed term sheets must be provided, containing points a) to g) above.

Where the electricity provider is the same legal entity as the beneficiary, a letter signed by a director/senior executive of the beneficiary can be provided instead of LoI or MoU, explaining how the renewable energy is produced and reserved internally for the production of RFNBO hydrogen by the project. The letter should contain points a) to g) above.

The evidence of a renewable electricity sourcing strategy must be consistent with the bid and the financial information file, as well as basic project parameters like the assumed full load hours, hydrogen off-take profile or electrolyser efficiency presented in the application forms.

A template for the strategy and the LoI/MoUs will be provided as part of the application documents.

## 2) Assessment of the hydrogen off-take and price hedging strategy

The submitted hydrogen off-take and price hedging strategy must show that the project has a credible plan and has taken initial pre-contractual steps towards securing the off-take for the produced volumes of RFNBO hydrogen as stated in the bid. Expected off-takers must be listed with the following:

- a) Name of the off-taker.
- b) Sector, sub-sector and final product (e.g. Industry-> Chemicals -> Methanol).
- c) Off-take volumes (including percentage of hydrogen volume, by off-taker).
- d) Pricing structure (fixed price, price floor, floating, indexed etc.).
- e) Duration of the off-take agreement.
- f) Method of delivery.
- g) Where the delivery of the hydrogen to an off-taker is dependent on significant energy infrastructure that needs to materialise on time (e.g. pipelines), please describe and provide a timeline (including permitting) for that infrastructure to become operational in line within the maximum time to entry into operation of the auction.

a) to f) must be presented in an overview table for all off-takers.

In addition, g) can be represented with charts for an illustrative year.

---

<sup>10</sup> Location and bidding zone of the asset(s).

<sup>11</sup> As defined in the CEEAG



For at least 60% of the RFNBO hydrogen production volumes during the project's implementation period, Memoranda of Understanding (MoU), Letters of Intent (LoI) or other forms of pre-contractual signed term sheets with (an) off-taker(s) must be presented, containing points a) – g) above.

For physically integrated projects producing hydrogen derivatives (e.g ammonia, methanol, e-fuels, etc.), the presented pre-contractual agreements should be with the off-taker of the derivative product. An integrated project is one that produces hydrogen and turns it into a derivate product as part of an integrated transformation process in the same installation.

Where the off-taker is the same legal entity as the beneficiary, a letter signed by a director/senior executive of the beneficiary can be provided instead of LoI or MoU. The letter should contain points a) to g) above explaining how the RFNBO hydrogen is reserved internally for the self-consumption. 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.

Further, the hydrogen off-take and price hedging strategy must show that the project has considered hedges against the variability risk of prices of electricity supply and off-take. Particularly, to mitigate the risk of production stops or schedule alterations due to unforeseen revenue decreases or cost increases (assessed in conjunction with evidence provided in the renewable electricity sourcing strategy). There needs to be substantial symmetry in the price structure of the expected renewable electricity sourcing and the expected off-take arrangements<sup>12</sup>.

For being eligible under the maritime budget basket, a project must present in its application, and as part of the documentation for its off-taker strategy, Memoranda of Understanding (MoU), Letters of Intent (LoI) or other forms of pre-contractual signed term sheets with (an) off-taker(s) belonging to the maritime sector, accompanied by a self-declaration of the off-taker confirming it operates in this sector. The MoU/LoI must be for either

- a) the supply of at least 60% of the planned RFNBO hydrogen production volumes during the project's implementation period, or
- b) for the supply of hydrogen derivatives that require the use of 60% of the planned RFNBO hydrogen production volumes during the project's implementation period.

An off-taker will be considered to belong to the maritime sector, if it will use the hydrogen or the hydrogen derivative produced by the project for carrying out/making use of bunkering activities in ports under the jurisdiction of the EEA.

A template for the strategy and the LoI/MoUs will be provided as part of the application documents.

### 3) Assessment of electrolyser procurement strategy

The submitted electrolyser procurement strategy must include a Memorandum of Understanding, Letter of Intent or another form of pre-contractual signed term sheets<sup>13</sup> with an electrolyser manufacturer and must include at least the following elements:

- a) Type of technology
- b) Declaration on company which will produce the electrolyser and where the manufacturing of electrolyser will be located
- c) Declaration of Origin: indication of the % of the added value of the electrolyser stacks used in the project, which is manufactured in the EEA

---

<sup>12</sup> E.g. the expected shares of fixed and floating pricing structures should match between the renewable electricity sourcing strategy and the off-take arrangements.

<sup>13</sup> Note that only pre-contractual agreements are needed at bidding stage. Note also the requirement on start of works (in auction good).

- d) Electrolyser capacity in MWe
- e) Expected delivery date
- f) Terms of delivery
- g) Price
- h) Explanation of how the electrolyser will comply with safety and performance requirements and standards (e.g. ISO 22734:2019)
- i) Indication of percentage (%) of the value of the electrolyser allocated to critical raw materials as recorded in the fifth list of critical raw materials for the EU (Annex II, COM (2023) 160)
- j) Information whether the electrolyser supplier has signed up to a responsible business conduct.
- k) Information whether the electrolyser supplier has an end of life / recycling strategy plans for the electrolyser
- l) Information about public subsidies received for the production of the electrolyser.

A template for the strategy and the LoI/MoUs will be provided as part of the application documents.

#### 4) Assessment of environmental permits

Evidence of initiated process with relevant national or regional authority to receive an environmental permit for the RFNBO Hydrogen production installation within the maximum time to entry into operation: credible evidence of initiated procedure with relevant national or regional authority to receive an environmental permit within the maximum time to Entry into Operation.

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 each national context, which can also be described in the application.

#### 5) Assessment of grid connection permits

If the project will be using power from the electricity grid, credible evidence of ongoing process with relevant authority to receive a grid connection permit for the RFNBO hydrogen production installation within the maximum time to Entry into Operation.

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 each national context, which can also be described in the application.

#### 6) Completion guarantee letter of intent

A letter of intent (using the mandatory template provided alongside the call for proposals) from a bank or a financial institution (min rating BBB-/Baa3) to issue the completion guarantee. The signed completion guarantee will need to be issued no later than two months after the receiving the evaluation result letter inviting successful applicants for the grant agreement preparation.

The letter of intent provided at the bid stage (a mandatory template will be provided) which stating that the said financial institution will provide, if the project is selected for funding, a completion guarantee on behalf of the applicant, issued to the granting authority as beneficiary, for an amount corresponding to 10% of the maximum grant amount. The completion guarantee shall be valid from the moment 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 project will have to clearly state in the letter of intent i) the rating level, 2) the name of the entity providing the rating 3) In case of difference between the rated entity and the one signing the letter of intent, an explanation of the relation between both of them, an 4) a link to and open rating data base, or a letter from the rating entity, proving the rate itself.

**Assessment of maturity:**

a) technical maturity

Based on submitted application documents and project description.

b) financial maturity

based on submission of a simplified, template-based financial model (contained in "financial information file") as well as financing plan and business plan as part of the project application.

c) operational maturity

Competence and experience of the applicants and their project teams, including operational resources (human, technical and other) or, exceptionally, the measures proposed to obtain it by the time the task implementation starts.

**The credibility and consistency** of the documents will be assessed.

#### 4. Rules for cumulation of support under the auction with other public support

| Key changes   |
|---|
| <ul style="list-style-type: none"> <li>No changes in the approach: no cumulation for the project to be supported by the IF grant awarded through the auction (with only few exceptions for support that would have a minor impact for projects competitive position).</li> <li>Clarity improved based on experience on the helpdesk.</li> </ul> |

This section describes the rules for cumulation of support awarded through this auction call for proposals with other public support in the form of: either State aid (both notified e.g. under the CEEAG<sup>14</sup> or the IPCEI Communication<sup>15</sup> and not notified e.g. under the GBER<sup>16</sup> or *de minimis* aid) or funding from EU programmes (e.g. Innovation Fund “regular grants”, Horizon Europe, Connecting Europe Facility, InvestEU)

Cases of cumulation of support marked **X** are not allowed. A self-declaration will be required as part of the project application, stating that by the time of grant agreement signature the project will not be in any excluded cases of cumulation.

Cases marked **V** are allowed.

For avoidance of doubt, general measures such as general tax reduction measures applicable to all economic operators, when they are *not* State aid, fall outside the scope of this section.

| Entity   | Cases of cumulation that are not allowed  | Cases that are allowed  |
|--|---|---|
| RFNBO hydrogen producers signing Grant Agreement for an Innovation Fund auction grant (‘IF auction project’) | <p><b>X</b> Cumulation with public support for RFNBO hydrogen producer’s CAPEX or OPEX is <i>not</i> allowed.</p> <p><b>X</b> For avoidance of doubt, compensation for indirect emission costs provided under the ETS State aid Guidelines<sup>17</sup> is a form of State aid and cannot be cumulated.</p> <p><b>X</b> For avoidance of doubt, reductions from levies or taxes which reflect part of the cost of providing electricity to the beneficiaries, e.g. reductions from network charges or from charges financing capacity mechanisms or reductions in</p> | <p><b>V</b> Cumulation with previous public support for early project development stages such as: research, feasibility studies or FEED studies preceding the commercial operation is allowed.</p> <p><b>V</b> Cumulation with previous public support for capacity development that is <i>not</i> part of the bid is allowed<sup>18</sup>.</p> <p><b>V</b> Cumulation with public support for energy infrastructure<sup>19</sup> connected to the project (e.g. Connecting Europe Facility support) is allowed, provided that the energy infrastructure is not infrastructure dedicated to this project only (“non-dedicated infrastructure”).</p> <p><b>V</b> Cumulation with reduction from levies on electricity consumption which finance energy and environmental policy objectives (as</p> |

<sup>14</sup> [https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation\\_en](https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation_en)

<sup>15</sup> [https://competition-policy.ec.europa.eu/state-aid/legislation/modernisation/ipcei\\_en](https://competition-policy.ec.europa.eu/state-aid/legislation/modernisation/ipcei_en)

<sup>16</sup> [https://competition-policy.ec.europa.eu/state-aid/legislation/regulations\\_en](https://competition-policy.ec.europa.eu/state-aid/legislation/regulations_en)

<sup>17</sup> Communication from the Commission – Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021, 2020/C 317/04.

<sup>18</sup> E.g. if a previous project stage of 5MWe of capacity has received public support, and a 15MWe capacity extension is bid into the auction, that bid is eligible. A combined 20MWe bid, comprising 5MWe previously supported would, however, not be allowed.

<sup>19</sup> As defined in CEEAG (point 36 of section 2.4 Definitions).

| Entity   | Cases of cumulation that are not allowed  | Cases that are allowed   |
|--|---|--|
|  | electricity taxes (not covered by point 403 of CEEAG) cannot be cumulated when they are State-aid   | described in point 403 and section 4.11 of CEEAG) <sup>20</sup> is allowed <sup>21</sup> , even if these measures qualify as State aid.  |
| Electrolyser manufacturers from whom IF auction projects will purchase equipment                       |   | <p>✓ Support provided to the electrolyser manufacturers supplying equipment for projects.</p>  |
| Renewable electricity installations <sup>22</sup> from whom IF auction project will source electricity | <p>✗ For RFNBO hydrogen producers entering into operation as of 1 January 2028, in order to comply with the “additionality principle” established in the Delegated Acts of the RED, the renewable electricity installation from which power is sourced cannot receive support (except cases listed on the right).</p> | <p>✓ For RFNBO hydrogen producers entering into operation before 1 January 2028, there is no need to apply the additionality requirement and renewable electricity installations can receive public support.</p> <p>✓ For RFNBO hydrogen producers entering into operation after 1 January 2028, the “additionality principle” can be waived for renewable electricity installations if</p> <ul style="list-style-type: none"> <li>- The grid has low emissivity (&lt;18gCO2/MJ)</li> <li>- The grid has a high share of renewables (&gt;90%)</li> </ul> <p>In such cases, renewable electricity and thus renewable electricity installations can benefit from public support.</p> <p>✓ For RFNBO hydrogen producers that are connected to installations generating renewable electricity with a direct line and not via the grid, the exclusion of public support does not apply.</p> <p>Please consult the Renewable Energy Directive and its Delegated Acts for detailed rules.</p> |
| Direct consumers <sup>23</sup> of the output of IF auction projects.                                   | <p><b>For non-integrated projects:</b></p> <p>✗ Direct consumers of the RFNBO hydrogen output that is</p>   | <p>✓ Direct consumers of the output of IF auction projects can benefit from public support for their CAPEX costs.</p>  |

<sup>20</sup> Measures notified that fall under point 403 and section 4.11 of CEEAG or similar measures for example those that fall under Article 44 of GBER.

<sup>21</sup> Allowed for the 2024 auction round. If further auction rounds follow, this case of cumulation might not be allowed.

<sup>22</sup> Rules stemming from Renewable Energy Directive Delegated Regulations on RFNBOs and notably “additionality principle”.

<sup>23</sup> If and IF auction project sells to energy trader/aggregator, then the direct consumer is the entity buying from this energy trader/aggregator. Cumulation rules do not apply further downstream – beyond the direct consumers.

| Entity   | Cases of cumulation that are not allowed   | Cases that are allowed   |
|--|--|--|
| <p>Only the output supported by the IF auction grant is concerned.</p> <p>Output of non-integrated projects is RFNBO hydrogen.</p> <p>Output of integrated projects<sup>24</sup> is the RFNBO hydrogen derivative (e.g. ammonia, e-gas, e-fuels)</p> | <p>supported by the Innovation Fund auction grant cannot benefit from public support for operational costs of their RFNBO hydrogen consumption levels.</p> <p><b>For integrated projects, e.g. ammonia producers:</b></p> <p><b>X</b> Direct consumers of the RFNBO derivatives outputs that are supported by the Innovation Fund auction grant cannot benefit from public support for operational costs of their RFNBO hydrogen derivatives consumption levels.</p> | <p><b>V</b> Direct consumers of the output of IF auction projects can benefit from public support for their energy infrastructure costs provided it is not energy infrastructure dedicated for this project only (“non-dedicated infrastructure”).</p> |

<sup>24</sup> An integrated project is one that produces hydrogen turns it into a derivate product as part of an integrated transformation process in the same installation