



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 Auction**

## **Terms and Conditions**

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## 1. BACKGROUND AND AUCTION OBJECTIVES

The Innovation Fund 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 financed by revenues from the European Union Emission Trading System (EU ETS) and remaining funds from the NER 300 programme. Until now, the Innovation Fund has used a selection procedure based on multiple award criteria defined in its legal basis and call-specific scoring and ranking mechanisms.

The revised ETS Directive (2023/959/EU) <sup>(1)</sup> foresees the introduction of **competitive bidding mechanisms** (i.e. **auctions**) to award funding. The objectives of the competitive bidding mechanism are fourfold:

- (1) **A cost-efficient way of distributing financial support.** Auctions have been a significant success story in the power sector in many Member States <sup>(2)</sup>, bringing down the support costs for renewable electricity by magnitudes.
- (2) **Price discovery and market formation.** Auctions can reveal the 'real' cost of certain activities or products if there is sufficient competition. This generates valuable data points for the public sector but also helps to create markets where there are none yet by providing vetted price points.
- (3) **De-risking projects and leveraging private capital into them.**
- (4) **Reducing administrative burdens** for projects and contracting authorities.

With the REPowerEU Plan <sup>(3)</sup> to reduce dependence 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. Derived from that, the first auctions under the Innovation Fund will target renewable hydrogen production. As hydrogen can be used as an energy carrier in many sectors and appliances across the energy system, a cross-sectoral perspective is still ensured. The Green Deal Industrial Plan <sup>(4)</sup> announced the launch of the first auction for renewable hydrogen production for autumn 2023, with an Innovation Fund call budget of EUR 800 million allocated to be paid out as a fixed premium to renewable hydrogen producers.

The European Hydrogen Bank Communication <sup>(5)</sup> indicated further elements of the economic design and outlined the concept of 'Auctions-as-a-Service' which allows for awarding additional projects with national contributions.

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<sup>(1)</sup> See: <https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=CELEX%3A32023L0959>

<sup>(2)</sup> Competitive auctions are 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>(3)</sup> See: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN>

<sup>(4)</sup> See: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0062>

<sup>(5)</sup> See: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM%3A2023%3A156%3AFIN>

## 2. OVERVIEW OF AUCTION DESIGN ELEMENTS FOR THE INNOVATION FUND RENEWABLE HYDROGEN PRODUCTION AUCTIONS

In the following tables, we lay out the design of the first auction for the production of renewable hydrogen. This auction and subsequent ones concern the domestic <sup>(6)</sup> part of the European Hydrogen Bank. Only projects located within the territory of the European Economic Area (EEA) are eligible for support through this instrument.

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

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

### 2.1. General auction design elements

No.	Design element	Specific implementation of the Innovation Fund renewable hydrogen 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.
1.1	Auctioned good	RFNBO hydrogen in line with requirements put forward in the Renewable Energy Directive (2018/2001/EU) <sup>(7)</sup> and its Delegated Acts C(2023) 1086 final and C(2023) 1087 final <sup>(8)</sup> .  RFNBO hydrogen needs to be produced by new production capacity (i.e. capacity for which, at the time of application, <i>start of works</i> <sup>(9)</sup> did not yet take place).
1.2	Constraining value	The total available Innovation Fund budget of EUR 800 million is the constraining value of the auction and is known in advance.  The total RFNBO hydrogen volume for which support will be awarded derives from the total available budget and the individual bids' prices and volumes.
1.3	Support type	Output-based support (payment per unit of verified and certified RFNBO hydrogen production).
1.4	Reference price	No reference price needs to be established 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 and feedback on the level of competition from one round to another.  No clawbacks.
1.7	Ranking of bids	Price-only ranking.

<sup>(6)</sup> Intra-EEA.

<sup>(7)</sup> See: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32018L2001>

<sup>(8)</sup> See respectively [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI\\_COM%3AC%282023%291086](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM%3AC%282023%291086) and [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=pi\\_com%3AC%282023%291087](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=pi_com%3AC%282023%291087)

<sup>(9)</sup> The first firm commitment (e.g. ordering 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 *start of works*.

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 follows:</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 <i>entry into operation</i> <sup>(10)</sup>.</p>
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 one-third of the total available Innovation Fund budget for the auction (see points 1.2 and 2.3).</p>
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. 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>
1.11	Grant duration (disbursement period)	<p>The grant agreement will end ten years after the <i>entry into operation</i> of the project (unless the total RFNBO hydrogen production volume stated in the bid is reached earlier due to the production flexibility rules stated in point 1.10).</p> <p>See point 4.2 on grant agreement termination.</p>
1.12	Indexation of support	No indexation.
1.13	Technology baskets, differentiation by regions or actors	<p>No special rules for different technologies, regions or actors are envisaged.</p> <p>Such tools might be used in later auction rounds, e.g. to reach the Innovation Fund objective of geographical or sectoral balance or to do broader auctions with various auctioned goods.</p>

<sup>(10)</sup> 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. Entry into operation will be demonstrated by submitting the following deliverables:

- completion certificate issued by the main contractor(s)
- a plant handover report for the production capacity stated in the bid, signed by the beneficiary and the relevant contractors (if any), including a successful performance test accepted by the beneficiary and conducted at full-load operation for a period predetermined in the EPC contract
- proof of connection to the grid provided by the grid operator, if applicable.

These documents must have been *issued* before the maximum time to entry into operation.

## 2.2. Qualification requirements (single step within auction clearing)

Bidders need to fulfil qualification requirements to have their bids ranked.

Qualification aims to ensure that bidders can implement the project, that it is sufficiently advanced, and that auction participation is not used for speculative bids. The following table lists the qualification requirements for the Innovation Fund renewable hydrogen auctions.

We will assess qualification requirements on a pass/fail basis.

No.	Design element	Specific implementation of the Innovation Fund renewable hydrogen auction
2.1	Qualification requirements	<p>For further details on qualification requirements, see section 3.</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 <sup>(1)</sup>, and compliance with presenting all required documentation: application forms A, B, and C, 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 price set in point 3.7.</li> <li>• Compliance with legal entity checks (EU exclusion situation limitations: default, prosecution, etc.). All beneficiaries will have to be validated.</li> <li>• No geographical limitation on the origin of members of the consortium.</li> <li>• Signed self-declarations. See section 3 (also part of application form Part B).</li> </ul> <p><u>Relevance and quality:</u></p> <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 and their description in application form B.</li> </ul> <p>Before the grant agreement is signed, we 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.</p>
2.2	Completion guarantee	<p>Completion guarantee covering 4% of the maximum grant amount (see point 1.8).</p> <p>The guarantee will 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 <i>entry into operation</i> within five years after signing the grant agreement (see point 4.1).</p>

<sup>(1)</sup> See: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/>

		<p>The guarantee shall be issued at the latest two months after the dispatch of 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 <i>entry into operation</i> (i.e. after verification that the electrolyser capacity stated as part of the bid production capacity is operational).</p> <p>The duration of the completion guarantee is expected to be five years and 11 months if issued two months after receiving the invitation letter. Bidders shall use the template we will make available.</p> <p>If <i>entry into operation</i> is reached earlier, the guarantee can be released earlier.</p> <p>A letter of intent from a financial institution to issue a completion guarantee will be required as part of the proposal. We will make a template available.</p> <p>The enforcement of completion guarantees is further explained in point 4.2.</p>
2.3	Minimum or maximum restriction for project size and bid volume	<p>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).</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>
2.4	Off-taker restrictions	<p>No restriction on off-takers.</p> <p>Close monitoring of the first auction round for potential later adjustments.</p>
2.5	Local content requirements	None, but information about the origin of the electrolyser is required in the application forms.
2.6	Regulations for transporting hydrogen	Infrastructure costs can be priced into the bid, but there is no explicit mechanism to offset the comparative disadvantage of projects with infrastructure costs.
2.7	Consideration of 'General measures' <sup>(12)</sup>	See section 4 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 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 on cumulating support under auction with other public support.

<sup>(12)</sup> E.g. green premium stemming from regulations.

<b>2.10</b>	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).
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### 2.3. Design elements defining the auction procedure

No.	Design element	Specific implementation of the Innovation Fund renewable hydrogen auction
<b>3.1</b>	Competitiveness of the process	<p>No discrimination against auction participants.</p> <p>Transparency on requirements and sufficient lead times to prepare bids.</p> <p>Total available budget is a limiting constraint.</p> <p>No ex-post adjustments of auction rules.</p>
<b>3.2</b>	Single vs. multiple-item auction	Multiple items.
<b>3.3</b>	One-stage or two-stage auction	One-stage.
<b>3.4</b>	Auction type	Static auction.
<b>3.5</b>	Pricing rules	Pay-as-bid.
<b>3.6</b>	Minimum prices	No minimum price.
<b>3.7</b>	Ceiling prices	<p>Disclosed ceiling price: 4,50 €/kg of hydrogen produced as a maximum bid for the fixed premium.</p> <p>To be reviewed in subsequent auction rounds.</p>
<b>3.8</b>	Clearing mechanism and marginal bid	<p>Bids are awarded based on the submitted 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 also be 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>
<b>3.9</b>	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> <p>(1) Proposals with the overall smaller maximum grant requirement will be considered to have higher priority.</p>

		<p>(2) If this doesn't allow to determine the priority, proposals located in a country <sup>(13)</sup> with fewer funds awarded previously under the Innovation Fund will be considered to have higher priority.</p> <p>(3) If this doesn't allow to determine the priority, then proposals with a shorter time until <i>entry into operation</i> will be 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.

## 2.4. Design elements defining rights and obligations

No.	Design element	Specific implementation of the Innovation Fund renewable hydrogen auction
4.1	Maximum time to <i>entry into operation</i>	<p>Five years.</p> <p>The maximum time to <i>entry into operation</i> is defined as the period between the signature of the grant agreement and <i>entry into operation</i>.</p>
4.2	Sanctions in the event of non-compliance with support requirements	<p>If the maximum time to <i>entry into operation</i> 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.</p> <p>Further, the grant agreement may be terminated and the related 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>
4.3	Payment schedules	Semi-annual (every six months after <i>entry into operation</i> ).
4.4	Reporting requirements	<p>Until <i>entry into operation</i>, projects will have to report annually on their progress and key milestones, such as reaching financial close and <i>entry into operation</i>.</p> <p>After <i>entry into operation</i>, projects will report periodically alongside their payment requests. Reports will concern verifying and certifying the produced volume of RFNBO hydrogen.</p> <p>The beneficiaries will need to provide certification that the total volume of hydrogen produced 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 support period of the scheme). Certification can be provided by a third party or through audited reports.</p> <p>To fulfil the call objective of price discovery and contribution to market formation, the bid components of successful applicants will be published <sup>(14)</sup>. Bid</p>

<sup>(13)</sup> From the EEA.

<sup>(14)</sup> Namely bid price, volume, capacity, name of the applicant and anonymized and aggregated off-take prices (as stated in the financial information file).

		prices of non-successful applicants will be published in an anonymous way. Off-take prices of all proposals will be published in an anonymous and aggregated way to avoid identifying applicants or their customers.
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## 2.5. Design elements defining the auction and framework conditions

No.	Design element	Specific implementation of the Innovation Fund renewable hydrogen auction
5.1	Scheduling/auction frequency	Annual auction schedule.
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)

## 3. QUALIFICATION REQUIREMENTS

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 A, B, and C
- (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 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 operational by the time of *entry into operation*.
  - timetable/Gantt chart, including financial close and *entry into operation* milestones
  - participant information
  - 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)
  - a letter of intent from a bank or financial institution (minimum 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 dispatch of the

auction result letter inviting the successful applicants for the grant agreement preparation.

Eligibility:

Proposals must relate to projects located in the EEA <sup>(15)</sup>.

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

Project and budget size are 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 (KYC, AML, not sanctioned (call), Anti Bribery, no default, etc.). 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 B:

- Commitment to produce RFNBO hydrogen, as defined in the Renewable Energy Directive and its Delegated Acts.
- New capacity. The capacity applied for (as stated in the bid) is new, i.e. works have not started by the time of the application submission, for the capacity to which the bid refers, in line with the definitions in paragraph 82 of the CEEAG.
- 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 following the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 <sup>(16)</sup>. 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 section 4).
- Compliance with EU exclusion situation limitations (among others, exclusion of undertakings concerned by the Deggendorf rule <sup>(17)</sup>).
- Agreement to the publication of the: (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 national authorities and Innovation Fund National Contact Points of the country where the project is located.

Relevance and quality (pass/fail):

**Assessment of renewable electricity sourcing strategy**

The submitted renewable electricity sourcing strategy must 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 volumes of RFNBO hydrogen as stated in the proposal.

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<sup>(15)</sup> EU Member States, Iceland, Liechtenstein and Norway.

<sup>(16)</sup> On average, during the support period of the scheme.

<sup>(17)</sup> Undertakings that have received incompatible aid and are subject to a recovery obligation.

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

- (1) name of renewable electricity provider or indication of own assets <sup>(18)</sup>, where applicable.
- (2) type of renewable electricity source
- (3) type of connection (dedicated assets with a direct connection with the renewable electricity generation asset or connection via the grid)
- (4) volume of electricity supplied from the source (including % of absolute volume needed for the project)
- (5) pricing structure (fixed price, collar, price floor, floating, indexed, etc.)
- (6) duration of supply
- (7) expected supply time profile.

(1) to (6) shall be represented in an overview table for all electricity sources.

In addition, (7) can be represented graphically with charts, for an illustrative year and month.

#### **Assessment of renewable electricity sourcing strategy**

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 (1) to (7) 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 a 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 (1) to (7) above.

The evidence of a renewable electricity sourcing strategy must be consistent with the bid and the 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.

#### **Assessment of 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 should be listed with the following:

- (1) name of the off-taker
- (2) sector, sub-sector, and final product (e.g. industry > chemicals > methanol)
- (3) off-take volumes (including percentage of hydrogen volume, by off-taker)
- (4) pricing structure (fixed price, price floor, floating, indexed, etc.)
- (5) duration of the off-take agreement
- (6) method of delivery
- (7) consumption profile (e.g. baseload or pay as produce).

(1) to (6) shall be presented in an overview table for all off-takers.

In addition, (7) can be represented graphically with charts, for an illustrative year.

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.

Further, the hydrogen off-take and price hedging strategy must show that the project has considered hedges against the variability risk of electricity supply and off-take prices. Particularly to mitigate

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<sup>(18)</sup> Location and bidding zone of the asset(s).

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 expected renewable electricity sourcing price structure and the expected off-take arrangements <sup>(19)</sup>.

#### **Assessment of electrolyser procurement strategy**

The submitted electrolyser procurement strategy must include a MoU, LoI or another form of pre-contractual signed term sheets <sup>(20)</sup> with an electrolyser manufacturer, including at least the following:

- type of technology
- declaration of origin
- electrolyser capacity in Mwe
- expected delivery date
- terms of delivery
- price.

#### **Assessment of environmental permits**

Evidence of initiated process with the relevant national or regional authority to obtain an environmental permit 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*.

#### **Assessment of grid connection permits**

Credible evidence of ongoing process with the relevant authority to receive a grid connection permit within the maximum time to *entry into operation*.

#### **Completion guarantee letter of intent**

A LoI 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 dispatch of the evaluation result letter inviting successful applicants for the grant agreement preparation.

The LoI provided at the bid stage <sup>(21)</sup> 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 4% of the maximum grant amount.

The completion guarantee 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).

#### **Assessment of technical maturity, based on submitted application documents and project description**

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<sup>(19)</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>(20)</sup> Note that only pre-contractual agreements are needed at bidding stage. Also note the requirement on *start of works* (in auction good).

<sup>(21)</sup> A mandatory template will be provided.

## Assessment of financial maturity, based on submission of the FIF, financing plan and business plan as part of the project application

### Assessment of 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.

We will assess the credibility and consistency of the documents.

## 4. RULES FOR CUMULATION OF SUPPORT UNDER THE AUCTION WITH OTHER PUBLIC SUPPORT

This section describes the rules for the cumulation of support awarded through this auction call for proposals with other public support in the form of:

- state aid, both notified (e.g. under the CEEAG or the Important Projects of Common European Interest (IPCEI) <sup>(22)</sup> and not notified (e.g. *de minimis* aid <sup>(23)</sup>)
- funding from other EU programmes (e.g. Innovation Fund grants).

Cases of cumulation of support marked **X** are not allowed; therefore, projects with support marked **X** are not eligible. We will request a self-declaration as part of the application that, by the time of the grant agreement signature, the project is not cumulating excluded **X** types of support and will not do so in the future.

Cases of cumulation marked **V** are allowed.

For avoidance of doubt, general measures, such as 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 of cumulation that are allowed
<b>RFNBO hydrogen producers</b>	<p><b>X</b> Cumulation with aid for hydrogen producer's CAPEX or OPEX is NOT allowed.</p> <p><b>X</b> For avoidance of doubt, compensation for indirect emission costs provided under the ETS State aid Guidelines <sup>(24)</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 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</p>	<p><b>V</b> Cumulation with previous aid 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 aid for capacity development that is not part of the bid is allowed <sup>(25)</sup>.</p> <p><b>V</b> Cumulation with aid for transport and storage infrastructure connected to the project (e.g. Connecting Europe Facility funding) is allowed, provided that the</p>

<sup>(22)</sup> See: [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>(23)</sup> See: [https://competition-policy.ec.europa.eu/state-aid/legislation/regulations\\_en](https://competition-policy.ec.europa.eu/state-aid/legislation/regulations_en)

<sup>(24)</sup> See: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020XC0925%2801%29>

<sup>(25)</sup> E.g. if a previous project stage of 5MWe of capacity has received aid, and a 15MWe capacity extension is bid into the auction, that bid is eligible. However, a combined 20MWe bid, comprising 5MWe previously funded would not be eligible.

Entity	Cases of cumulation that are not allowed	Cases of cumulation that are allowed
	by point 403 of the CEEAG), cannot be cumulated.	infrastructure is not dedicated to this project only ('non-dedicated infrastructure').  ✓ Reduction from levies on electricity consumption, which finance energy and environmental policy objectives (as described in point 403 and section 4.11 of the CEEAG), can be cumulated <sup>(26)</sup> , even if they qualify as State aid.
<b>Electrolyser manufacturers</b>		✓ Support provided to the electrolyser manufacturers supplying equipment for projects.
<b>Renewable electricity installations <sup>(27)</sup></b>	✗ For RFNBO hydrogen producers entering into operation after 1 January 2028, to comply with the 'additionality principle', the renewable electricity installation from which power is sourced cannot receive State aid.	<p>✓ For RFNBO hydrogen producers entering into operation before 1 January 2028, there is no need to apply the 'additionality principle'. Renewable electricity installations can receive State aid.</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;18gCO<sub>2</sub>/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 State aid.</p> <p>Please consult the Renewable Energy Directive and its Delegated Acts for detailed rules.</p>
<b>Hydrogen off-takers <sup>(28)</sup> also in integrated projects</b>	✗ RFNBO hydrogen producers cannot have off-take contracts with consumers/be part of integrated projects that benefit from aid for operational costs, which affects their renewable hydrogen consumption levels and/or the levels of output, i.e. aid covering the additional costs of procuring RFNBOs.	✓ RFNBO hydrogen producers can have contracts with off-takers/be part of integrated projects that benefit from aid incentivising investment in hydrogen-based production processes, i.e. so long as the aid does not cover the additional costs of procuring RFNBOs compared with grey hydrogen.

<sup>(26)</sup> Allowed for the 2023 auction round. If further auction rounds follow, this case of cumulation might not be allowed.

<sup>(27)</sup> Rules stemming from the Renewable Energy Directive Delegated Regulations on RFNBOs, notably the 'additionality principle'.

<sup>(28)</sup> E.g. ammonia producers, refineries, e-gas/e-fuel RFNBO producers.

Entity	Cases of cumulation that are not allowed	Cases of cumulation that are allowed
		<p>✓ RFNBO hydrogen producers can have contracts with off-takers/be part of integrated projects that benefit from aid for infrastructure costs (pipelines, storage) provided it is not infrastructure dedicated for this project only.</p>