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PART OF THE PNO GROUP

European Hydrogen Bank

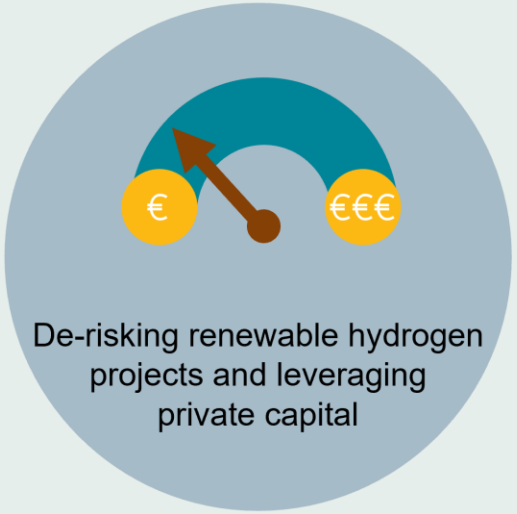
Final Terms & Conditions

30 August 2023

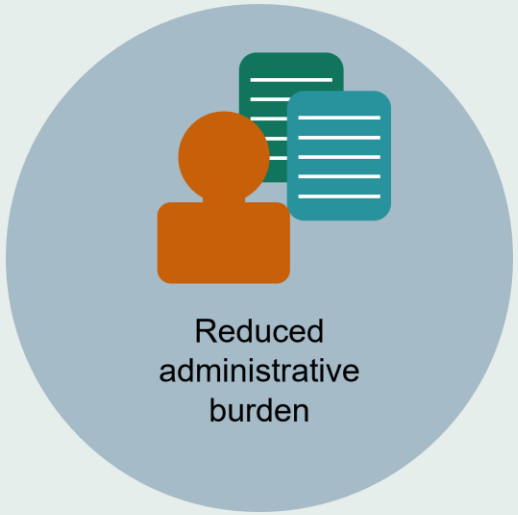
European Hydrogen Bank – Objectives

Reducing the cost gap between renewable and fossil hydrogen in the EU as effectively and efficiently as possible by allocating public support. Auctions have proved to be a success in the renewable power sector, bringing down the required funding for renewable power generation through competition on price while mobilising private investments.

Allowing for price discovery and renewable hydrogen market formation. Competitive auctions with a simple and transparent set-up reveal production costs and create valuable and comparable price points that can serve to kick-start a European hydrogen market.



De-risking European hydrogen projects, connecting domestic renewable hydrogen supply and demand, bringing capital costs down and leveraging private capital. Given the size of the investment needed, support from the Innovation Fund should be seen as the seed funding for increased private and corporate investments.



Reducing administrative burdens and costs thanks to short, lean, and transparent procedures.

Final Terms & Conditions: Link

European Hydrogen Bank – General Auction Design Elements (1/2)

Action launch	23 November 2023
Action close	8 February 2024
Auction clearance	Q1 2024
Auctioned good	RFNBO hydrogen coming from new production capacity
Auctioned volume	> 178kt of renewable hydrogen (or > 17.8kt/year if spread over 10 years equally)*
Nr of stages / type of auction	Single-stage, static auction
Budget	€800 million to renewable hydrogen producers*
Total volume of auctioned good	Derives from the total available budget and the individual bids' prices and volumes (Pay-as-bid)
Geographical coverage	European Economic Area (EEA), no geographical limitation on the origin of members of the consortium
Form of support	Fixed premium in €/kg of renewable hydrogen to producers (paid every six months after entry into operation). Intention to switch to CfDs or CCfDs in the future.
Duration of support (disbursement period)	10 years of operation
Auction frequency	Annual auction rounds (potentially expanded to further clean products)

*If the max subsidy of €4.5/kg is used across the €800m, this leads to more than 178kt of renewable hydrogen subsidised from the pilot auction (or min 17.8kt/year if spread over the 10-year contract periods equally).

European Hydrogen Bank – General Auction Design Elements (2/2)

Bid components	1. Bid price in €/kg of RFNBO hydrogen production (basis for ranking of bids) 2. Expected average yearly volume of RFNBO hydrogen production in kg per year 3. The new electrolyser capacity in MWe
Grant amount calculation formula	[Bid price in €/kg] * [expected average yearly volume in kg/year] * 10 years
Max grant amount per proposal	EUR 266,7 million (1/3 of EUR 800 million)
Min price	No minimum price
Ceiling price	4,50 €/kg of hydrogen*
Min electrolyser capacity	5 MWe of newly installed capacity (in a single location, no virtual pooling)
Max time to EiO	5 years from GA signature
Qualification assessment	Pass or fail (based on relevance, technical, financial and operational maturity)

*If the max subsidy of €4.5/kg is used across the €800m, this leads to more than 178kt of renewable hydrogen subsidised from the pilot auction (or min 17.8kt/year if spread over the 10-year contract periods equally).

European Hydrogen Bank – Qualification Documents

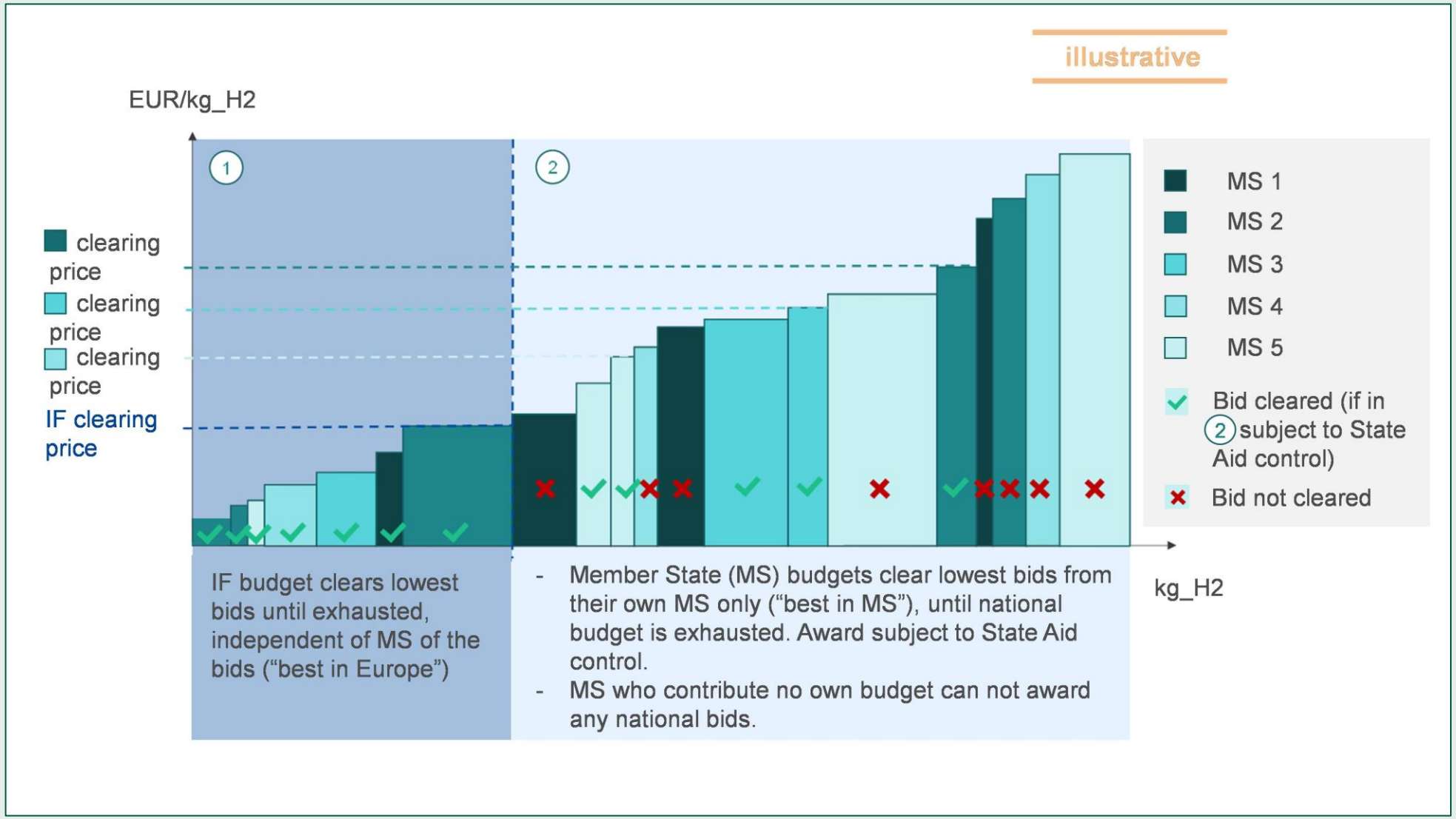
Qualification documents	• **Application Forms A, B** (incl. self-declarations), **and C**
	• **Mandatory supporting documents**:
	  • **calculator/financial information file (FIF)**, which includes a simplified financial model and contains the bid components
	  • **timetable/Gantt chart**, including 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)
	  • **LoI from a bank or financial institution** (minimum rating BBB-/Baa3) to issue a **completion guarantee** covering 4% of the maximum grant amount against the achievement of entry into operation (template to be provided by CINEA)

Documentation between ESR and project start	**2 months after ESR**: Completion guarantee by a bank or financial institution covering 4% of the maximum grant amount (template to be provided by CINEA) **During GA preparation**: Additional financial capacity check for stable and sufficient resources
Reporting after project start	**Until entry into operation**: annual progress reports **After entry into operation**: periodical reports + payment requests + certification (by a third party or through audited reports) that the total volume of hydrogen produced achieves at least 70% GHG savings (on average, during the support period)

European Hydrogen Bank – Auction process step-by-step

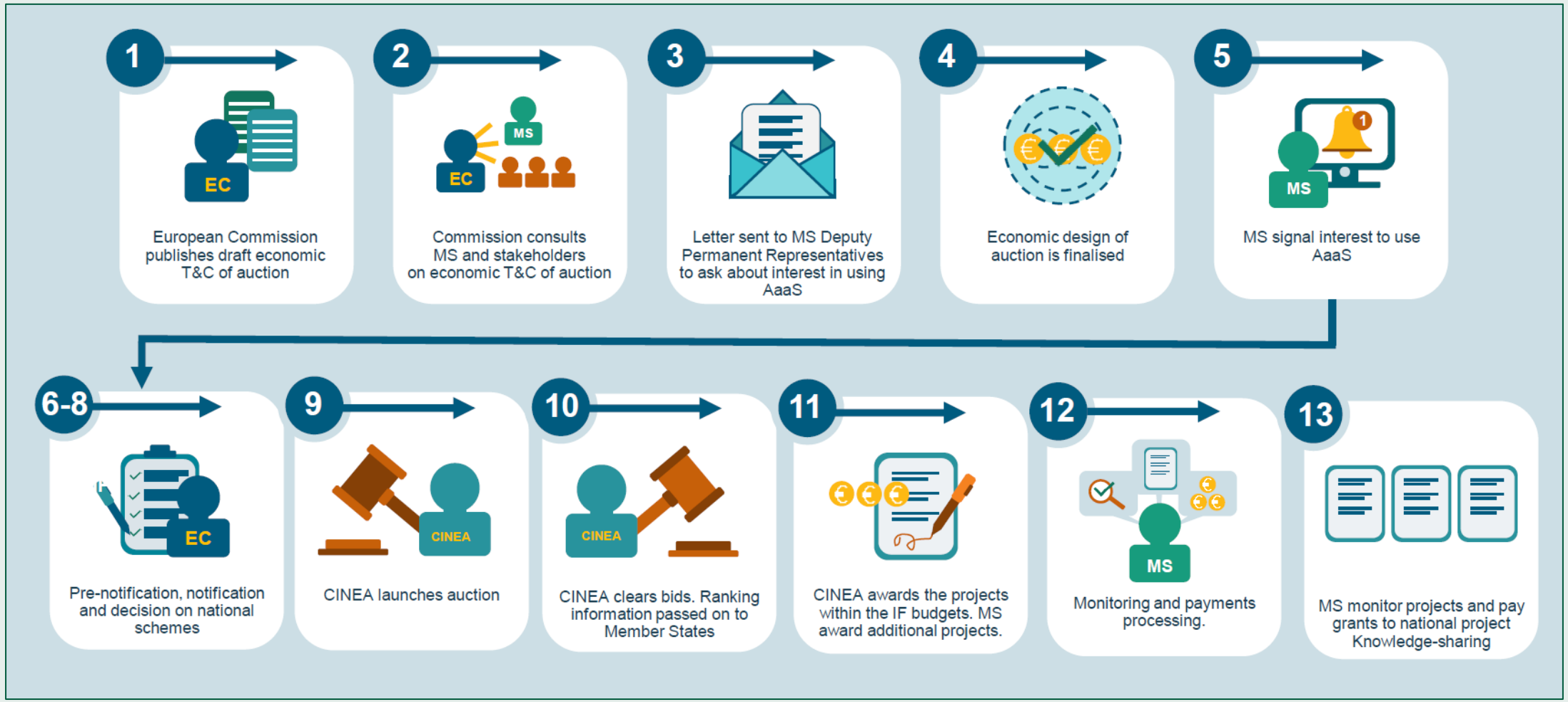
1. Pilot auction call launched on November 2023
2. Bidders submit prequal. material and bids
3. Bidders' prequal. materials are checked and bids are ranked by CINEA
4. Bidders are notified if they passed prequalification
5. Bids awarded by CINEA until budget cap is reached; auction cleared Q1 2024
6. Bid award decisions shared with winners & unsuccessful bidders
7. Auction outcomes are published publicly
8. Winners sign model grant agreement (contract) with CINEA
9. Project realization/construction and start of operation
10. Winners get fixed premium support based on the contract
11. Penalties executed in case of delayed realization or underproduction

‘Auctions-as-a-Service’ allows for additional national contributions



AaaS concept note: Link

European Hydrogen Bank – Auction-as-a-Service process



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