



# **Innovation Fund (INNOVFUND)**

## Auction call for proposals

Innovation Fund auction call for RFNBO Hydrogen  
(INNOVFUND-2023-AUC-RFNBO-Hydrogen)

Version 1.1  
20 December 2023





**EUROPEAN CLIMATE, INFRASTRUCTURE AND ENVIRONMENT EXECUTIVE AGENCY (CINEA)**

CINEA.C – Green Research and Innovation  
**CINEA.C.04 – Innovation Fund**

<b>HISTORY OF CHANGES</b>		
Version	Publication date	Change
1.0	23.11.2023	Initial version.
1.1	20.12.2023	Section 1: opening of 'auctions as a service' for Germany

## AUCTION CALL FOR PROPOSALS

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## 0. Introduction

This is an auction call for proposals for EU **action grants** under the **Innovation Fund**.

The regulatory framework for this EU Funding Programme is set out in:

- Regulation 2018/1046 ([EU Financial Regulation](#))
- the basic act (Innovation Fund Regulation [2019/856](#)<sup>1</sup> and [ETS Directive 2003/87](#)<sup>2</sup>).

The call is launched in accordance with the 2023 Financing Decision<sup>3</sup> and will be managed by the **European Climate, Infrastructure and Environment Executive Agency (CINEA)** ('Agency').

The call covers the following **topics**:

- **INNOVFUND-2023-AUC-RFNBO-Hydrogen – Auction for RFNBO hydrogen production**

 This call is an auction call, i.e. a call that is awarded based on a competitive bidding procedure on price and therefore subject to specific conditions (*e.g. auction terms and conditions, fair bid conditions, completion guarantee, etc*).

We invite you to read the **call documentation** carefully, and in particular this Call Document, the Model Grant Agreement, the [EU Funding & Tenders Portal Online Manual](#) and the [EU Grants AGA – Annotated Grant Agreement](#).

These documents provide clarifications and answers to questions you may have when preparing your application:

- the [Call Document](#) outlines the:
  - background, objectives, scope, activities that can be funded and the expected results (sections 1 and 2)
  - timetable and available budget (sections 3 and 4)
  - admissibility and eligibility conditions (including mandatory documents; sections 5 and 6)
  - criteria for financial and operational capacity and exclusion (section 7)
  - evaluation and award procedure (section 8)

<sup>1</sup> Commission Delegated Regulation (EU) 2019/856 of 26 February 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council with regard to the operation of the Innovation Fund (OJ L 140 28.5.2019, p. 6).

<sup>2</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (ETS Directive) (OJ L 275, 25.10.2003, p. 32).

<sup>3</sup> Commission Implementing Decision C(2023)7827 final of 22 November 2023 on the financing of actions under the Innovation Fund, serving as the financing decision for 2023 and as a decision launching calls for proposals.

- award criteria (section 9)
  - legal and financial set-up of the Grant Agreements (section 10)
  - how to submit an application (section 11)
- and contains the:
- Auction Terms & Conditions (Annex 1)
- the Online Manual outlines the:
- procedures to register and submit proposals online via the EU Funding & Tenders Portal ('Portal')
  - recommendations for the preparation of the application
- the AGA — Annotated Grant Agreement contains:
- detailed annotations on all the provisions in the Grant Agreement you will have to sign in order to obtain the grant (*including cost eligibility, payment schedule, accessory obligations, etc*).

## 1. Background

The Innovation Fund is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies.

The Innovation Fund provides grants for projects aiming at commercial deployment of innovative low-carbon technologies, with the objective of bringing to market industrial solutions to decarbonise Europe and supporting its transition to climate neutrality.

Grants under the Innovation Fund can be provided via regular calls for proposals with grant disbursement schedules that allow financing before projects enter into operation and via auction calls for proposals that allow grant disbursement to projects after their entry into operation and award grants following a competitive bidding procedure based on price.

Auction calls for proposals are economically more efficient for technologies moving from commercial demonstration to scale-up of technologies. The auction call for proposals therefore contributes to the objectives of the revised ETS Directive [2003/87](#)<sup>4</sup>. The revised ETS Directive enables the use of competitive bidding to award support from Innovation Fund and to cover up to 100% of relevant cost.

The key advantages of using auctions for technologies that are moving towards scale-up and market roll-out are:

1. cost-efficient support through using a market-based instrument (auctions)
2. technology- and project development risks are tackled by the project promoter, who is in best place to address them, through payments based only on delivered volumes of the supported good, i.e. no payments before entry into operation
3. price discovery and market formation
4. reduced administrative burden.

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<sup>4</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (ETS Directive) (OJ L 275, 25.10.2003, p. 32).

The present call is an auction call for renewable fuel of non-biological origin (RFNBO) hydrogen, as defined in the Renewable Energy Directive 2018/2021. The bid price is the requested unit contribution (fixed premium) per kg of RFNBO hydrogen production which will be paid for a maximum period of up to 10 years.

The maximum grant amount will be calculated as:

$$\left[ \text{Bid price in } \frac{\text{€}}{\text{kg}} \right] * \left[ \text{expected average yearly volume of production in } \frac{\text{kg}}{\text{year}} \right] * 10$$

Projects to be funded by this Innovation Fund call are expected to contribute to the transition to a climate-neutral economy by 2050 and to the target to reduce emissions by at least 55% by 2030 as defined in the European Climate Law Regulation [2021/1119](#)<sup>5</sup> and the European Green Deal<sup>6</sup> and to targets set out in the REPowerEU Plan<sup>7</sup>.

### *National funding windows ('auctions as a service')*

The Innovation Fund auction can be complemented by national funding windows through auctions as a service. Projects that pass the evaluation for the Innovation Fund auction grant but cannot be funded because they exceed the budget ceiling, may benefit from national funding, if the project is located in a country with a national funding window, if it complies with Member State specific funding conditions and if it has consented to be considered for national funding (see section 8).

For the present call, the following countries have opened auctions as a service funding windows (pending State aid decision adoption):

Topic	Countries	Topic budget
INNOVFUND-2023-AUC-RFNBO-Hydrogen – Auction for RFNBO hydrogen production	Germany	EUR 350 000 000 <sup>8</sup>

**i** For more information about auctions as a service funding windows and Member State specific conditions, see [here](#).

## **2. Objectives – Themes and priorities – Activities that can be funded – Expected impact**

### **INNOVFUND-2023-AUC-RFNBO-Hydrogen – Auction for RFNBO hydrogen production**

#### Objectives

<sup>5</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality (OJ L 243, 9.7.2021, p. 1).

<sup>6</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on The European Green Deal (COM(2019) 640 final).

<sup>7</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the rePowerEU Plan (COM(2022) 230 final).

<sup>8</sup> Pending State aid case SA.109550. For German funding announcement, please see: <https://bmwk.de/Redaktion/DE/Downloads/H/h2-pilotausschreibung-eu-innovationsfonds.html>

The objective of this topic is to cost-efficiently support the new production of renewable fuel of non-biological origin (RFNBO) hydrogen as defined in the Renewable Energy Directive [2018/2021](#)<sup>9</sup> and its Delegated Acts, in support of the 2030 targets for renewable hydrogen established in this Directive and supported by the [REPowerEU Plan](#)<sup>10</sup>, the [Green Deal Industrial Plan](#)<sup>11</sup> and the [European Hydrogen Bank Communication](#)<sup>12</sup>.

The European Hydrogen Bank Communication announced key design elements of auctions for RFNBO hydrogen production. It confirmed that EU-domestic production of RFNBO hydrogen still faces a considerable funding gap and should, among other instruments, be supported through competitive bidding (auctions) under the Innovation Fund. Consequently, this auction call for proposals addresses the production of RFNBO hydrogen on the territory of EU/EEA, in line with the rules set out in the revised ETS Directive [2003/87](#)<sup>13</sup>, enabling EU-wide auctions to be carried out under the Innovation Fund.

The call supports the RFNBO industry and mobility targets established in the Renewable Energy Directive 2018/2021 and is aligned with its Delegated Regulations on methodology for RFNBOs<sup>14</sup>.

As announced in the European Hydrogen Bank Communication, the topic will further contribute to:

- a) Connecting EU domestic RFNBO hydrogen supply and demand.
- b) Bridging the cost-gap in the EU between RFNBO and fossil hydrogen as effectively as possible.
- c) Allowing for RFNBO hydrogen price discovery and market formation in the EU.
- d) De-risking European RFNBO hydrogen projects, bringing capital costs down and leveraging private capital.
- e) Contributing to faster deployment and simpler implementation of projects, while reducing administrative burden and costs.

#### *Activities that can be funded (scope)*

The following activities can be funded under this topic:

Installation of new RFNBO hydrogen capacity (i.e. hydrogen production capacity for which at the time of the grant application the start of works did not yet take place) as

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<sup>9</sup> Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

<sup>10</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the rePowerEU Plan (COM(2022) 230 final).

<sup>11</sup> Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on A Green Deal Industrial Plan for the Net-Zero Age (COM(2023) 62 final).

<sup>12</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Hydrogen bank (COM(2023) 156 final).

<sup>13</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (ETS Directive) (OJ L 275, 25.10.2003, p. 32).

<sup>14</sup> See [Q&A on the EU Delegated acts on Renewable Energy](#).

well as the verified and certified production of RFNBO hydrogen<sup>15</sup> from those installations (in kg of produced volume) for a period of up to 10 years.

For avoidance of doubt:

- the bid price per unit is expected to cover the premium required by the producer, i.e. the difference between the expected revenues from the sale of one unit and the unit's levelized cost. Cost elements like production, sale, transport, and storage can be priced into the bid.
- the produced RFNBO hydrogen can be sold to any off-taker or self-consumed or stored. The RFNBO definition applies to hydrogen purchased by any off-taker (not only in transport).

Only projects with a minimum installed capacity of the electrolyser of at least 5 MWe will be eligible. Projects with a lower capacity will be rejected. The electrolyser capacity must be in a single location. Virtual pooling of capacity is not permitted.

### 3. Available budget

The available call budget is **EUR 800 000 000**.

We reserve the right to cancel the call, for example in case of severe under-subscription (2 or less proposals received) or not to award all available funds or to redistribute them between the call priorities, depending on the proposals received and the results of the evaluation.

### 4. Timetable and deadlines

Timetable and deadlines (indicative)	
Call opening:	23 November 2023
Deadline for submission:	<u>08 February 2024 – 17:00:00 CET</u> (Brussels)
Evaluation:	February-April 2024
Information on evaluation results:	April 2024
GA signature:	November 2024 (latest)

### 5. Admissibility and documents

Proposals must be submitted before the **call deadline** (see *timetable section 4*).

Proposals must be submitted **electronically** via the Funding & Tenders Portal Electronic Submission System (accessible via the Topic page in the [Search Funding & Tenders](#) section). Paper submissions are NOT possible.

<sup>15</sup> As defined in the Renewable Energy Directive 2018/2001 and its Delegated Regulations on methodology for RFNBOs.

Proposals (including annexes and supporting documents) must be submitted using the forms provided *inside* the Submission System (⚠ NOT the documents available on the Topic page — they are only for information).

Proposals must be **complete** and contain all the requested information and all required annexes and supporting documents:

- Application Form Part A — contains administrative information about the participants (future coordinator, beneficiaries and affiliated entities) and the summarised budget for the project (*to be filled in directly online*)
- Application Form Part B — contains the technical description of the project (*to be downloaded from the Portal Submission System, completed and then assembled and re-uploaded*)
- Part C — contains additional project data and the project’s contribution to EU programme key performance indicators (*to be filled in directly online*) (*when available*)
- **mandatory annexes and supporting documents** (*templates available to be downloaded from the Portal Submission System, completed, assembled and re-uploaded*):
  - detailed budget table/calculator (‘financial information file’ with the bid)
  - participant information (including CVs and previous projects, if any)
  - timetable/Gantt chart
  - sourcing strategy (renewable electricity sourcing strategy; see section 3 of the Auction Terms & Conditions (Annex 1))
  - off-take and price hedging strategy (hydrogen off-take and price hedging strategy; see section 3 of the Auction Terms & Conditions (Annex 1))
  - equipment procurement strategy (electrolyser procurement strategy; see section 3 of the Auction Terms & Conditions (Annex 1))
  - permits, licences, authorisations, etc:
    - 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*)
  - completion guarantee letter of intent (*at proposal submission, for all projects*) and completion guarantee (*during GAP, for projects invited to grant preparation*).

At proposal submission, you will have to confirm that you have the **mandate to act** for all applicants. Moreover, you will have to confirm that the information in the application is correct and complete and that the participants comply with the conditions for receiving EU funding (especially eligibility, financial and operational capacity, exclusion, etc). Before signing the grant, each beneficiary and affiliated entity will have to confirm this again by signing a declaration of honour (DoH). Proposals without full support will be rejected.

Your application must be **readable, accessible and printable**.

Proposals are limited to maximum **50 pages** (Part B). Evaluators will not consider any additional pages.

You may be asked at a later stage for further documents (*for legal entity validation, financial capacity check, bank account validation, etc*).

 For more information about the submission process (including IT aspects), consult the [Online Manual](#).

 Please be aware that, subject to your consent in the application form, the names of the project participants, their projects, their contact details, the amount of requested Innovation Fund support and, where relevant, envisaged dates of financial close and entry into operation may be shared with the Member States of the country(ies) where the project is located.

 Moreover, in order to fulfil the call objective of price discovery and contribution to market formation the following information will be published: (i) identified bid price, total volume, electrolyser capacity and name for successful bidders, (ii) anonymised bid price, total volume and capacity for unsuccessful bidders, (iii) anonymised and aggregated off-take prices for all bidders.

## 6. Eligibility

Applications will only be considered eligible if their content corresponds wholly (or at least in part) to the topic description for which they are submitted.

### *Eligible participants (eligible countries)*

In order to be eligible, the applicants (beneficiaries and affiliated entities) must:

- be legal entities (public or private bodies)
- be established in one of the eligible countries: any country in the world.

Beneficiaries and affiliated entities must register in the [Participant Register](#) — before submitting the proposal — and will have to be validated by the Central Validation Service (REA Validation). For the validation, they will be requested to upload documents showing legal status and origin.

Other entities may participate in other consortium roles, such as associated partners, subcontractors, third parties giving in-kind contributions, etc (*see section 13*).

### *Specific cases*

Natural persons — Natural persons are NOT eligible (with the exception of self-employed persons, i.e. sole traders, where the company does not have legal personality separate from that of the natural person).

International organisations — International organisations are eligible. The rules on eligible countries do not apply to them.

Entities without legal personality — Entities which do not have legal personality under their national law may exceptionally participate, provided that their representatives have the capacity to undertake legal obligations on their behalf, and offer guarantees for the protection of the EU financial interests equivalent to that offered by legal persons<sup>16</sup>.

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<sup>16</sup> See Article 197(2)(c) EU Financial Regulation [2018/1046](#).

EU bodies — EU bodies (with the exception of the European Commission Joint Research Centre) can NOT be part of the consortium.

Associations and interest groupings — Entities composed of members may participate as 'sole beneficiaries' or 'beneficiaries without legal personality'<sup>17</sup>. ⚠️ Please note that if the action will be implemented by the members, they should also participate (either as beneficiaries or as affiliated entities, otherwise they cannot claim part of the grant).

EU restrictive measures — Special rules apply for certain entities (*e.g. entities subject to [EU restrictive measures](#) under Article 29 of the Treaty on the European Union (TEU) and Article 215 of the Treaty on the Functioning of the EU (TFEU)*<sup>18</sup>). Such entities are not eligible to participate in any capacity, including as beneficiaries, affiliated entities, associated partners, subcontractors or recipients of financial support to third parties (if any).

 For more information, see [Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment](#).

### Consortium composition

n/a

### Eligible activities

Eligible activities are the ones set out in section 2 above.

Projects must comply with EU policy interests and priorities (*such as environment, social, security, industrial and trade policy, etc*).

Financial support to third parties is not allowed.

### Geographic location (target countries)

Projects must be located in EU Member States or EEA countries (i.e. Norway, Iceland or Liechtenstein).

⚠️ Project location in EEA countries is currently subject to conditions: Proposals for projects located in Norway, Liechtenstein or Iceland will only be eligible if the incorporation of Directive [2023/959](#) into the EEA Agreement has entered into force in accordance with Article 103 of the EEA Agreement before the deadline for submission of proposals (*see section 4*).

### Duration

The project must:

- enter into operation within five years after grant signature (maximum time to entry into operation)
- operate for normally 10 years (unless the total volume committed to in Annex 1 is reached earlier, due to the production flexibility rules; *see section 10*).

Project duration normally ranges between 10 and 15 years, from grant signature to the final payment.

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<sup>17</sup> For the definitions, see Articles 187(2) and 197(2)(c) EU Financial Regulation [2018/1046](#).

<sup>18</sup> Please note that the EU Official Journal contains the official list and, in case of conflict, its content prevails over that of the [EU Sanctions Map](#).

### Project budget and ceiling price

Project budgets (maximum grant amount) must be calculated using the calculator provided in the 'financial information file' and respect the following conditions:

- applicant bid price (fixed premium in EUR per kg) multiplied by the expected average yearly volume of production (kg per year) multiplied by 10 years ('pay as bid')
- not exceed 1/3 of the topic budget (*see section 3*).

Only bids that do not exceed EUR 4,50/kg of RFNBO hydrogen produced will be eligible ('ceiling price'). Proposals with bid prices above the ceiling price will be rejected.

The grant awarded may be lower than the amount requested.

## **7. Financial and operational capacity and exclusion**

### Financial capacity

Applicants must have **stable and sufficient resources** to successfully implement the projects and contribute their share. Organisations participating in several projects must have sufficient capacity to implement all these projects.

The financial capacity check will be carried out on the basis of the documents which you may be requested later on by the Central Validation Service during grant preparation to upload in the [Participant Register](#) (e.g. *profit and loss account and balance sheet, audit report produced by an approved external auditor, certifying the accounts for the last closed financial year, etc*). The analysis will be based on neutral financial indicators, but will also take into account other aspects, such as dependency on EU funding and deficit and revenue in previous years.

The check will normally be done for all beneficiaries, except:

- public bodies (entities established as public body under national law, including local, regional or national authorities) or international organisations
- if the individual requested grant amount is not more than EUR 60 000.

If needed, it may also be done for affiliated entities.

If we consider that your financial capacity is not satisfactory, we may require:

- further information
- an enhanced financial responsibility regime, i.e. joint and several responsibility for all beneficiaries or joint and several liability of affiliated entities (*see below, section 10*)

or

- request that you are replaced or, if needed, reject the entire proposal.

 For more information, see [Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment](#).

### Operational capacity

Applicants must have the **know-how, qualifications** and **resources** to successfully implement the projects and contribute their share (including sufficient experience in projects of comparable size and nature).

This capacity will be assessed together with the 'Quality' award criterion, on the basis of the 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.

If the evaluation of the award criterion is positive, the applicants are considered to have sufficient operational capacity.

Applicants will have to show their capacity via the following information:

- general profiles (qualifications and experiences) of the staff responsible for managing and implementing the project
- description of the consortium participants

Additional supporting documents may be requested, if needed to confirm the operational capacity of any applicant.

### Exclusion

Applicants which are subject to an **EU exclusion decision** or in one of the following **exclusion situations** that bar them from receiving EU funding can NOT participate<sup>19</sup>:

- bankruptcy, winding up, affairs administered by the courts, arrangement with creditors, suspended business activities or other similar procedures (including procedures for persons with unlimited liability for the applicant's debts)
- in breach of social security or tax obligations (including if done by persons with unlimited liability for the applicant's debts)
- guilty of grave professional misconduct<sup>20</sup> (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant)
- committed fraud, corruption, links to a criminal organisation, money laundering, terrorism-related crimes (including terrorism financing), child labour or human trafficking (including if done by persons having powers of representation, decision-making or control, beneficial owners or persons who are essential for the award/implementation of the grant)
- shown significant deficiencies in complying with main obligations under an EU procurement contract, grant agreement, prize, expert contract, or similar (including if done by persons having powers of representation, decision making or control, beneficial owners or persons who are essential for the award/implementation of the grant)
- guilty of irregularities within the meaning of Article 1(2) of EU Regulation [2988/95](#) (including if done by persons having powers of representation, decision making or control, beneficial owners or persons who are essential for the award/implementation of the grant)
- created under a different jurisdiction with the intent to circumvent fiscal, social or other legal obligations in the country of origin or created another entity with this purpose (including if done by persons having powers of representation, decision making or control, beneficial owners or persons who are essential for the award/implementation of the grant).

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<sup>19</sup> See Articles 136 and 141 of EU Financial Regulation [2018/1046](#).

<sup>20</sup> Professional misconduct includes: violation of ethical standards of the profession, wrongful conduct with impact on professional credibility, false declarations/misrepresentation of information, participation in a cartel or other agreement distorting competition, violation of IPR, attempting to influence decision-making processes or obtain confidential information from public authorities to gain advantage.

Applicants will also be rejected if it turns out that<sup>21</sup>:

- during the award procedure they misrepresented information required as a condition for participating or failed to supply that information
- they were previously involved in the preparation of the call and this entails a distortion of competition that cannot be remedied otherwise (conflict of interest).

## 8. Evaluation and award procedure

The proposals will have to follow the **standard submission and evaluation procedure** (one-stage submission + one-step evaluation).

An **evaluation committee** will assess all applications. Proposals will first be checked for formal requirements (admissibility, and eligibility, *see sections 5 and 6*). Proposals found admissible and eligible will be evaluated against the operational capacity and award criteria (*see sections 7 and 9*) and ranked according to the lowest bid price (*see section 6*).

### Cascade approach

Proposals will be evaluated according to the following cascade:

- 1) Proposals will be first ranked according to their bid price, from the lowest to highest.
- 2) Those proposals whose maximum grant amounts fit within the Innovation Fund call budget and the budget from national funding windows (if any) and the proposals necessary to fill the reserve list, if any, will be assessed against the award criteria of 'Relevance' and 'Quality', on a pass/fail basis.
- 3) Remaining proposals will be rejected. They will not be evaluated against the 'Relevance' and 'Quality' award criteria.

### Priority order for proposals with same scores/bid price

For proposals with the same score/bid price a **priority order** will be determined according to the following approach:

Successively for every group of *ex aequo* proposals, starting with the highest scored/lowest bid price, and continuing in descending order:

- 1) Proposals with the overall smaller support requirement have higher priority.
- 2) If this doesn't allow to determine the priority, proposals located in a country (EU Member State, EEA country) which had, at call publication, less funds awarded in previous Innovation Fund calls will be considered to have higher priority.
- 3) If this also doesn't allow to determine the priority, then proposal with a shorter time until entry into operation is considered to have higher priority.

The last proposal proposed for funding ('marginal bid') that exceeds the call budget will be added to the reserve list and the total auction budget volume will be decreased accordingly.

### Evaluation result and grant preparation

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<sup>21</sup> See Article 141 EU Financial Regulation [2018/1046](#).

All proposals will be informed about the evaluation result (**evaluation result letter**). Successful proposals will be invited for grant preparation; the other ones will be put on the reserve list (if any) or rejected.

 No commitment for funding — Invitation to grant preparation does NOT constitute a formal commitment for funding. We will still need to make various legal checks before grant award: *legal entity validation, financial capacity, exclusion check, etc.*

**Grant preparation** will involve a dialogue in order to fine-tune technical or financial aspects of the project and may require extra information from your side. It may also include adjustments to the proposal to address recommendations of the evaluation committee or other concerns. Compliance will be a pre-condition for signing the grant.

If you believe that the evaluation procedure was flawed, you can submit a **complaint** (following the deadlines and procedures set out in the evaluation result letter). Please note that notifications which have not been opened within 10 days after sending will be considered to have been accessed and that deadlines will be counted from opening/access (see also [Funding & Tenders Portal Terms and Conditions](#)). Please also be aware that for complaints submitted electronically, there may be character limitations.

#### National funding windows ('auctions as a service')

Proposals that are rejected due to budget limitations and which are located in a country which has opened a national funding window for this call/topic will be proposed for national support following the established price ranking, if they:

- have given their consent in the application form
- do not exceed the lower of the following ceiling prices: EUR 4,50/kg of RFNBO hydrogen OR three times the bid price of the last project cleared by the Innovation Fund budget that did *not* come from the same Member State
- fall within the national funding window budget

and

- passed the evaluation for 'Relevance' and 'Quality'

 Please be aware that, for proposals that agree to be proposed for national funding windows, the applications (and project documentation) will be shared with the national authorities. You may be required to submit additional documents or information for the national support.

 Please be aware that in case your project is placed on the reserve list but falls within the national funding window budget, you might be asked to confirm whether you want to remain on the Innovation Fund Auction reserve list or withdraw and be considered by the national funding window. Should you withdraw your application from the reserve list, your application will no longer be considered for support under this auction call.

## **9. Award criteria**

The **award criteria** for this call are as follows:

- 1. Relevance (Pass/Fail):** Contribution to the objectives of this call (i.e. production of RFNBO hydrogen based on the sourcing strategy)
- 2. Quality (Pass/Fail):** Technical and financial maturity and operational quality in terms of the project's readiness to enter into operation within 5 years after signature of grant agreement:

#### Technical maturity

- Technical characteristics and scope of the project; electrolyser procurement strategy; credibility of project implementation plan (self-declaration on RFNBO H2 production; information in the application form; whether the renewable electricity sourcing strategy demonstrates 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; consistency of the renewable electricity sourcing strategy 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 form)

#### Financial maturity

- Soundness, credibility and consistency of the business plan and financing plan of the project; consistency of the information presented in the application form, financial information file, sourcing and off-take and price hedging strategy (whether the hydrogen off-take and price hedging strategy demonstrates 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; is there hedging against the variability risk of prices of electricity supply and off-take 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); is there substantial symmetry in the price structure of the expected electricity sourcing and the expected off-take arrangements (e.g., the expected shares of fixed and floating pricing structures match between the renewable electricity sourcing strategy and the off-take arrangements).

#### 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

- 3. Price:** bid price in EUR per kg to be expressed with two digits after the comma.

Award criteria	Minimum pass score	Maximum score
Relevance	n/a	Pass/fail
Quality	n/a	Pass/fail
Price	n/a	Scoring according to -bid price

Proposals that pass both the 'Relevance' and 'Quality' award criteria will be considered for funding based on their ranking according to their bid price — within the limits of the available budget (i.e. up to the budget ceiling). Other proposals will be rejected or passed on to national funding windows under auctions as a service, if applicable.

## **10. Legal and financial set-up of the Grant Agreements**

If you pass evaluation, your project will be invited for grant preparation, where you will be asked to prepare the Grant Agreement together with the EU Project Officer.

This Grant Agreement will set the framework for your grant and its terms and conditions, in particular concerning deliverables, reporting and payments.

The Model Grant Agreement that will be used (and all other relevant templates and guidance documents) can be found on [Portal Reference Documents](#).

### Starting date and project duration

The project starting date and duration will be fixed in the Grant Agreement (*Data Sheet, point 1*). The starting date will be the first day of the month following grant signature.

Project duration: *see section 6 above*.

### Milestones and deliverables

The milestones and deliverables for each project will be managed through the Portal Grant Management System and will be reflected in Annex 1 of the Grant Agreement.

The following work packages (WP), deliverables and milestones will be required:

- WP 1 — Up to Entry into Operation
  - Milestone 1 (mandatory): financial close
  - Deliverables (mandatory): progress reports (annually); knowledge sharing plan (month 1) and knowledge sharing report at financial close; financial close report with key documents necessary to verify achievement of financial close (*signed PPA(s) or equivalent renewable electricity sourcing confirmation; signed off-take agreements; signed electrolyser purchase contract, final investment decision; signed debt agreement (if applicable); signed EPC contract or similar*); updated financial information file, with the information valid at financial close
  - Milestone 2 (mandatory): entry into operation
  - Deliverables (mandatory): progress reports (annually); entry into operation report with key documents necessary to verify entry into operation (see Glossary) (*operational readiness and completion certificate; handover report; proof of grid connection; proof of all necessary permits granted*); knowledge sharing report at entry into operation, and updated knowledge sharing plan
- WP 2-21 — Years 2-10 of Operation
  - Two work packages per year with two milestones (mandatory): end of months six and twelve of year N of operation

- Deliverables (mandatory) for each work package:
  - verified and certified production report for each reporting period
  - report on changes of off-takers/off-take prices (if applicable)
  - for WP 4, 10 and final WP: knowledge sharing report and updated knowledge sharing plan
  - for final WP: certification of the total volume of hydrogen produced by the awarded capacity as meeting at least 70% GHG reduction (independent third party certificate or through audited reports; see *below*).

 Please note that demonstration of the entry into operation of the installed capacity as stated in the bid is subject to proof of operational readiness (to be provided 3 months before the end of WP 1). This 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 of time predetermined in the EPC contract
- proof of connection to the grid provided by the grid operator, if applicable.

These documents must have been issued at latest 3 months before the end of WP1.

 The verified and certified production report must certify the RFNBO nature of the produced hydrogen as well as the produced volumes. The certification must follow generally accepted standards at the moment of reporting the production (*e.g. national schemes or international voluntary schemes recognised pursuant to Article 9 of the Delegated Regulation C(2023)1087 supplementing the Renewable Energy Directive 2018/2001*).

#### *Form of grant, funding rate and maximum grant amount*

The grant parameters (*e.g. maximum grant amount*) will be fixed in the Grant Agreement (*Data Sheet, point 3 and art 5*).

Project budget (maximum grant amount): *see section 6 above*.

The grant will be a unit grant. This means that it will reimburse a fixed amount per unit, based on unit contributions, corresponding to the fixed premium per unit of production of the final product as stated in the bid.

#### *Budget categories and cost eligibility rules*

The budget categories and cost eligibility rules are fixed in the Grant Agreement (*Data Sheet, point 3, art 6 and Annex 2*).

*Budget categories for this call:*

- A. Units of low/zero carbon product<sup>22</sup>

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<sup>22</sup> [Decision](#) of 27 October 2023 authorising the use of unit contributions for auction actions under the Innovation Fund.

*Specific cost eligibility rules for this call:*

- the unit grant amount must be calculated in accordance with the methodology set out in the unit contribution decision and using the calculator (financial information file) provided
- the unit calculation should respect the following conditions:
  - applicant bid price (fixed premium in EUR per kg) multiplied by the expected average yearly volume (kg per year) multiplied by 10 years
  - only bids that do not exceed EUR4.50/kg of RFNBO hydrogen are eligible (ceiling price)
  - only projects with a minimum installed capacity of the electrolyser] of at least [5 MWe] are eligible
- the units must:
  - refer to verified and certified units of the low/zero carbon product produced set out in Annex 1 of the Grant Agreement
  - be limited to a production of up to 140% compared to half of the expected average yearly volume as indicated in the bid (production flexibility rules)
- the requested unit payments must:
  - correspond to applicant bid price multiplied by the units of low/zero carbon product produced during the reporting period

 Please be aware that entry into operation must be reached within five years after grant signature and that the project must at that moment be able to demonstrate a nameplate capacity equal to the capacity expressed in the bid (required as deliverable for WP 1; *see above*). If this is not achieved within the required time-limit, we will terminate the grant and call the completion guarantee (*see art 32 and Annex 5*).

 After entry into operation, the installation must operate for at least 10 years (unless the total volume committed to in Annex 1 is reached earlier due to the production flexibility rules; *see above*).

 The volume produced must be verified and certified (required as deliverable for WP 2-21; *see above*) and not fall on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3-year period. If it falls below this average, the grant may be terminated and reduced (*see art 28 and 32*).

 The grant should not contribute to a cross-subsidisation of carbon-intensive products from the same installation. The beneficiaries will need to provide certification that the total volume of hydrogen produced by the supported electrolyser capacity achieves at least 70% GHG savings according to the rules set out in the Delegated Act C(2023)1086 supplementing the Renewable Energy Directive 2018/2001 (on average, during the disbursement period of the scheme; certification required as deliverable for the final WP; as independent third party certificate or through, audited reports). If this cannot be demonstrated at the end of the action, the grant may be reduced (*see art 28*).

*Reporting and payment arrangements*

The reporting and payment arrangements are fixed in the Grant Agreement (*Data Sheet, point 4 and art 21 and 22*).

There is **no pre-financing** payment.

There will be one or more **interim payments**: .

- Reporting Period 1: entry into operation within a maximum of 5 years ( end of WP 1: 3 months after planned entry into operation date) — no payment
- Reporting Periods 2-21: semi-annual payments after entry into operation, respectively (WP 2 to 21).

In addition, you will be expected to submit until entry into operation one or more progress reports not linked to payments.

**Payment of the balance:** At the end of the project, we will calculate your final grant amount.

All payments will be made to the coordinator.

 Please be aware that payments will be automatically lowered if one of your consortium members has outstanding debts towards the EU (granting authority or other EU bodies). Such debts will be offset by us — in line with the conditions set out in the Grant Agreement (*see art 22*).

Please also note that you are responsible for keeping records on all the work done and the units declared.

#### Prefinancing guarantees

n/a

#### Certificates

n/a

#### Liability regime for recoveries

The liability regime for recoveries will be fixed in the Grant Agreement (*Data Sheet point 4.4 and art 22*).

For beneficiaries, it is one of the following:

- limited joint and several liability with individual ceilings — *each beneficiary up to their maximum grant amount*
- unconditional joint and several liability — *each beneficiary up to the maximum grant amount for the action*

or

- individual financial responsibility — *each beneficiary only for their own debts.*

In addition, the granting authority may require joint and several liability of affiliated entities (with their beneficiary).

#### Provisions concerning the project implementation

IPR rules: *see Model Grant Agreement (art 16 and Annex 5)*:

- list of background:Yes

- rights of use on results: Yes
- knowledge sharing requirements: Yes

Communication, dissemination and visibility of funding: *see Model Grant Agreement (art 17 and Annex 5)*:

- communication and dissemination plan (knowledge sharing plan): Yes
- additional communication and dissemination activities: Yes
- special logos: Yes

Specific rules for carrying out the action: *see Model Grant Agreement (art 18 and Annex 5)*:

- specific rules for auction grants: Yes

### Other specificities

#### **Fair bid conditions**

Auction calls are subject to the following additional conditions to ensure fair bid conditions:

- for the capacity to which the bid refers, the works must not have started by the time of submission of this application (in line with the definitions in paragraph 82 of the [Guidelines on State aid for climate, environmental protection and energy](#)<sup>23</sup>)
- the auction grant must not be cumulated with any of the types of excluded public support listed in the Auction Terms & Conditions (*see Annex 1*).
- the auction grant must not lead to a cross-subsidisation of other products, if and as required by the call conditions (*see section 10*)
- all partners in the project consortium must at all times before and during the project implementation be in compliance with the Deggendorf rule (Deggendorf rule excludes undertakings that have received incompatible aid and are subject to a recovery obligation).

In case of breach, the grant may be terminated and reduced or any other measure described in Chapter 5 of the Grant Agreement may be taken.

#### **Completion guarantee**

A completion guarantee covering 4% of the requested maximum grant amount will be required to avoid speculative bids.

The completion guarantee should be in euro and issued by an approved bank/financial institution (minimum rating BBB-/Baa3) established in an EU Member State.

Amounts blocked in bank accounts will NOT be accepted as financial guarantees.

Completion guarantees are normally requested from the coordinator, for the consortium. For proposal submission (call deadline), the consortium must submit a letter of intent; the guarantee itself must be provided later on during grant

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<sup>23</sup> Communication from the Commission – Guidelines on State aid for climate, environmental protection and energy 2022 (COM 2022/C 80/01) (*OJ C 80, 18.2.2022, p. 1*).

preparation, (scanned copy via Portal AND original by post; see *section 5 above*). The guarantee must be provided within two months of receiving the evaluation result letter (invitation to grant preparation). If no guarantee is received within this time-limit, the granting authority may consider the application as withdrawn and decide to terminate grant preparation.

The guarantee will be called by the granting authority if the installation does not reach approved entry into operation, either because:

- it does not enter into operation within the maximum time to entry into operation set out in section 6
- it enters into operation within the maximum time to entry into operation, but doesn't reach the planned electrolyser capacity as specified in Annex 1 of the Grant Agreement
- the grant is terminated before entry into operation for other reasons
- and provided there is no force majeure (see Article 35).

If not called, the guarantee will be released after final approval of the entry into operation in accordance with the conditions laid down in the Grant Agreement (*Annex 5*).

The costs of the guarantee must be borne by the consortium.

#### *Non-compliance and breach of contract*

The Grant Agreement (chapter 5) provides for the measures we may take in case of breach of contract (and other non-compliance issues).

 For more information, see [AGA – Annotated Grant Agreement](#).

### **11. How to submit an application**

All proposals must be submitted directly online via the Funding & Tenders Portal Electronic Submission System. Paper applications are NOT accepted.

Submission is a **2-step process**:

#### **a) create a user account and register your organisation**

To use the Submission System (the only way to apply), all participants need to [create an EU Login user account](#).

Once you have an EU Login account, you can [register your organisation](#) in the Participant Register. When your registration is finalised, you will receive a 9-digit participant identification code (PIC).

#### **b) submit the proposal**

Access the Electronic Submission System via the Topic page in the [Search Funding & Tenders](#) section (or, for calls sent by invitation to submit a proposal, through the link provided in the invitation letter).

Submit your proposal in 4 parts, as follows:

- Part A includes administrative information about the applicant organisations (future coordinator, beneficiaries, affiliated entities and associated partners) and the summarised budget for the proposal. Fill it in directly online

- Part B (description of the action) covers the technical content of the proposal. Download the mandatory word template from the Submission System, fill it in and upload it as a PDF file
- Part C containing additional project data. To be filled in directly online (when available)
- Annexes (*see section 5*). Upload them as PDF file (single or multiple depending on the slots). Excel upload is sometimes possible, depending on the file type.

The proposal must keep to the **page limits** (*see section 5*); excess pages will be disregarded.

Documents must be uploaded to the **right category** in the Submission System otherwise the proposal might be considered incomplete and thus inadmissible.

The proposal must be submitted **before the call deadline** (*see section 4*). After this deadline, the system is closed and proposals can no longer be submitted.

Once the proposal is submitted, you will receive a **confirmation e-mail** (with date and time of your application). If you do not receive this confirmation e-mail, it means your proposal has NOT been submitted. If you believe this is due to a fault in the Submission System, you should immediately file a complaint via the [IT Helpdesk webform](#), explaining the circumstances and attaching a copy of the proposal (and, if possible, screenshots to show what happened).

Details on processes and procedures are described in the [Online Manual](#). The Online Manual also contains the links to FAQs and detailed instructions regarding the Portal Electronic Exchange System.

## 12. Help

As far as possible, ***please try to find the answers you need yourself***, in this and the other documentation (we have limited resources for handling direct enquiries):

- [Online Manual](#)
- FAQs on the Topic page (for call-specific questions in open calls; not applicable for actions by invitation)
- [Portal FAQ](#) (for general questions).

Please also consult the Topic page regularly, since we will use it to publish call updates. (For invitations, we will contact you directly in case of a call update).

### Contact

For individual questions on the Portal Submission System, please contact the [IT Helpdesk](#).

Non-IT related questions should be sent to the [Innovation Fund Helpdesk](#).

Please indicate clearly the reference of the call and topic to which your question relates (*see cover page*).

## 13. Important



### IMPORTANT

- **Don't wait until the end** — Complete your application sufficiently in advance of the deadline to avoid any last minute **technical problems**. Problems due to last minute submissions (*e.g. congestion, etc*) will be entirely at your risk. Call deadlines can NOT be extended.
- **Consult** the Portal Topic page regularly. We will use it to publish updates and additional information on the call (call and topic updates).
- **Funding & Tenders Portal Electronic Exchange System** — By submitting the application, all participants **accept** to use the electronic exchange system in accordance with the [Portal Terms & Conditions](#).
- **Registration** — Before submitting the application, all beneficiaries, affiliated entities and associated partners must be registered in the [Participant Register](#). The participant identification code (PIC) (one per participant) is mandatory for the Application Form.
- **Consortium roles** — When setting up your consortium, you should think of organisations that help you reach objectives and solve problems.  

The roles should be attributed according to the level of participation in the project. Main participants should participate as **beneficiaries** or **affiliated entities**; other entities can participate as associated partners, subcontractors, third parties giving in-kind contributions. **Associated partners** and third parties giving in-kind contributions should bear their own costs (they will not become formal recipients of EU funding). **Subcontracting** should normally constitute a limited part and must be performed by third parties (not by one of the beneficiaries/affiliated entities).
- **Coordinator** — In multi-beneficiary grants, the beneficiaries participate as consortium (group of beneficiaries). They will have to choose a coordinator, who will take care of the project management and coordination and will represent the consortium towards the granting authority. In mono-beneficiary grants, the single beneficiary will automatically be coordinator.
- **Affiliated entities** — Applicants may participate with affiliated entities (i.e. entities linked to a beneficiary which participate in the action with similar rights and obligations as the beneficiaries, but do not sign the grant and therefore do not become beneficiaries themselves). They will get a part of the grant money and must therefore comply with all the call conditions and be validated (just like beneficiaries); but they do not count towards the minimum eligibility criteria for consortium composition (if any).
- **Associated partners** — Applicants may participate with associated partners (i.e. partner organisations which participate in the action but without the right to get grant money). They participate without funding and therefore do not need to be validated.
- **Consortium agreement** — For practical and legal reasons it is recommended in all cases to set up internal arrangements that allow you to deal with exceptional or unforeseen circumstances. The consortium agreement also gives you the possibility to redistribute the grant money according to your own consortium-internal principles and parameters (for instance, one beneficiary can reattribute its grant money to another beneficiary). The consortium agreement thus allows you to customise the EU grant to the needs inside your consortium and can also help to protect you in case of disputes. For successful proposals, the consortium agreement should be signed before the signature of the grant agreement.

- **Balanced project budget** — Grant applications must ensure a balanced project budget and sufficient other resources to implement the project successfully (*e.g. own contributions, income generated by the action, financial contributions from third parties, etc*). You may be requested to lower your estimated costs, if they are ineligible (including excessive).
- **No double funding** — There is a strict prohibition of double funding from the EU budget and, in principle, cumulation of Innovation Fund auction grants with other public funding.
- **Completed/ongoing projects** — Proposals for projects that have already been completed will be rejected; proposals for projects that have already started will be assessed on a case-by-case basis (in this case, no costs can be reimbursed for activities that took place before the project starting date/proposal submission).
- **Multiple proposals** — Applicants may submit more than one proposal for *different* projects under the same call (and be awarded funding for them).  
Organisations may participate in several proposals.  
BUT: if there are several proposals for *very similar* projects, only one application will be accepted and evaluated; the applicants will be asked to withdraw the others (or they will be rejected).
- **Resubmission** — Proposals may be changed and re-submitted until the deadline for submission.
- **Rejection** — By submitting the application, all applicants accept the call conditions set out in this this Call Document (and the documents it refers to). Proposals that do not comply with all the call conditions will be **rejected**. This applies also to applicants: All applicants need to fulfil the criteria; if any one of them doesn't, they must be replaced or the entire proposal will be rejected.
- **Cancellation** — There may be circumstances (*e.g. severe under-subscription, etc*) which may require the cancellation of the call. In this case, you will be informed via a call or topic update. Please note that cancellations are without entitlement to compensation.
- **Language** — You can submit your proposal in any official EU language (project abstract/summary should however always be in English). For reasons of efficiency, we strongly advise you to use English for the entire application. If you need the call documentation in another official EU language, please submit a request within 10 days after call publication (for the contact information, *see section 12*).

- **Transparency** — In accordance with Article 38 of the [EU Financial Regulation](#), information about EU grants awarded is published each year on the [Europa website](#).

This includes:

- beneficiary names
- beneficiary addresses
- the purpose for which the grant was awarded
- the maximum amount awarded.

The publication can exceptionally be waived (on reasoned and duly substantiated request), if there is a risk that the disclosure could jeopardise your rights and freedoms under the EU Charter of Fundamental Rights or harm your commercial interests.

- **Data protection** — The submission of a proposal under this call involves the collection, use and processing of personal data. This data will be processed in accordance with the applicable legal framework. It will be processed solely for the purpose of evaluating your proposal, subsequent management of your grant and, if needed, programme monitoring, evaluation and communication. Details are explained in the [Funding & Tenders Portal Privacy Statement](#).

### Glossary

<b>Action</b>	Global term for beneficiary activities funded by the Innovation Fund. Used interchangeably with project.
<b>Bid Price</b>	<b>Bid for the amount of subsidy to be received per unit of low/zero carbon product produced by the applicant.</b>
<b>Consortium</b>	Beneficiaries and other participants which cooperate together to implement the project.
<b>Detailed table/Calculator budget ('Financial information file')</b>	Detailed project budget table/calculator filled in according to the mandatory excel file template that includes the bid components bid price, expected average yearly volume of production and electrolyser capacity).
<b>Disbursement period</b>	Period of time between entry into operation and the final payment as specified in section 6 of the Call document.
<b>Entry into operation</b>	<p>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.</p> <p>Entry into operation must be demonstrated (see section 10 of the Call document) by submitting the following deliverables:</p> <ul style="list-style-type: none"> <li>– completion certificate issued by the main contractor(s)</li> <li>– 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 of time predetermined in the EPC contract</li> <li>– proof of connection to the grid provided by the grid operator, if applicable.</li> <li>– proof of all necessary permits granted</li> </ul> <p>These documents must have been issued at latest 3 months before the end of WP1.</p>
<b>Expected average yearly/semi annual volume</b>	Arithmetic average of annual/semi-annual volume of the low/zero carbon product expected to be produced during the minimum duration of operations as specified in section 10 of the Call document.
<b>Financial close</b>	The moment in the project development cycle where all the project and financing agreements have been signed, all the required conditions contained in them have been met and a final investment decision has been taken.
<b>Grant</b>	Financial support by means of a fixed premium
<b>Project duration</b>	Period of time from signature of grant agreement until the end of the final work package as specified in section 6 of the Call document. The project may continue operations afterwards until the 'end of project life', out of

	the scope of the grant agreement.
<b>Start of works</b>	The first firm commitment (for example, to order equipment or start construction) that makes an investment irreversible. The buying of land and preparatory works such as obtaining permits and conducting preliminary feasibility studies are not considered as start of works.
<b>Subcontractor</b>	Economic operator that is proposed by a beneficiary/affiliated entity to perform part of the action tasks.

**Annex 1****Auction Terms & Conditions****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 financed by revenues from the European Union Emission Trading System (EU ETS) and remaining funds from the NER300 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 foresees the introduction of competitive bidding mechanisms (i.e. auctions) to award funding. The objectives of the competitive bidding mechanism are fourfold:

- A cost efficient way of distributing financial support. Auctions have been a significant story in the power sector in many Member States<sup>24</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 burdens for projects and contracting authorities.

With the RePowerEU Plan<sup>25</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 (RFNBO) 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>26</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>27</sup> indicated further elements of the economic design and outlined the concept of "Auctions-as-a-Service" that allows awarding additional projects with national contributions.

**2. Overview of auction design elements for the Innovation Fund renewable hydrogen production auctions**

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<sup>24</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%3AATOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2022.080.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A080%3AATOC).

<sup>25</sup> European Commission (2022): REPowerEU Plan. COM/2022/230 final.

<sup>26</sup> European Commission (2023): Green Deal Industrial Plan. COM/2023/62 final

<sup>27</sup> European Commission (2023): European Hydrogen Bank. COM/2023/156 final

In the following, auction design of the first auction for the production of renewable hydrogen is laid out. This auction and subsequent ones concern the *domestic leg* of the European Hydrogen Bank. Only projects located within the territory of the European Economic Area are eligible for support through this instrument.

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
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 Renewable Energy Directive (Directive (EU) 2018/2001) and its Delegated Acts C(2023) 1086 final and C(2023) 1087 final.  The RFNBO hydrogen needs to be produced by <i>new</i> production capacity (i.e. capacity for which at the time of application start of works <sup>28</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 with their respective bid prices and volumes.
1.3	Support type	Output-based support (payment per unit of verified and certified RFNBO H2 production).
1.4	Reference price	No reference price needs to be defined for a fixed premium auction.
1.5	Support form	Fixed premium
1.6	Safeguards against over-subsidisation	Ensuring competition through market testing, total available budget and feedback on level of competition from one round to another.  No claw backs.
1.7	Ranking of bids	Price-only ranking.
1.8	Bid components	1) Fixed premium (“bid price”) in EUR/kg of RFNBO hydrogen production (basis for ranking of bids), expressed with two digits after the comma.

<sup>28</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.

		<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>
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>
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>
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>
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 foreseen.</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>

## 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 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
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 A, B, and C, 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> <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>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>Completion guarantee covering 4% of the maximum grant amount (see point 1.8). The guarantee will be issued by a bank or financial institution (rated at least BBB-/Baa3) and must be able to be called by granting authority if the project does not reach approved entry into operation within five 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 5 years and 11 months if issued 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.</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 for bid volume	<p>Maximum grant amount restriction for each bid: 1/3 of the total available budget defined for the auctioned topic (i.e. 1/3 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 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 comparative disadvantage of projects with infrastructure costs.
2.7	Consideration of “General measures” <sup>29</sup>	See section 4 of the Terms & Conditions on cumulating support under auction with other public support.
2.8	Cumulating support under auction with other public support for RFNBO hydrogen producer	See section 4 of the Terms & Conditions on cumulating support under auction with other public support.
2.9	Cumulating support under auction with other public support for RFNBO hydrogen offtaker	See section 4 of the Terms & Conditions on cumulating support under auction with other public support.
2.10	Exclusion of cross-subsidisation of “grey” hydrogen	Beneficiaries will need to provide certification that the total volume of hydrogen produced by the supported capacity achieves at least 70% GHG savings following the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (on average, during the disbursement period of the scheme). The certification will be required as a deliverable for the last work package (independent third party certificate or audited reports).

### 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
3.1	Competitiveness of the process	No discrimination against participants in auction. Transparency on requirements and sufficient lead times to prepare bids. Total available budget is a limiting constraint. No ex-post adjustments of auction rules.
3.2	Single vs. multiple-item auction	Multiple-items
3.3	One-stage or two-stage auction	One-stage.
3.4	Auction type	Static auction.
3.5	Pricing rules	Pay-as-bid.
3.6	Minimum prices	No minimum price.
3.7	Ceiling prices	Disclosed ceiling price: 4.50 €/kg of hydrogen produced as a maximum bid for the

<sup>29</sup> (e.g. green premium stemming from regulations)

		fixed premium. To be reviewed in subsequent auction rounds.
3.8	Clearing mechanism and marginal bid	Bids are awarded based on the submitted price until the total budget available for the auction is allocated.  Proposals whose requested grant amount fits within the Innovation Fund call budget will be also assessed against operational capacity and the relevance and quality award criteria, on a pass/fail basis.  The last bid that exceeds the total budget available will be added to the reserve list..
3.9	Tiebreaker rule	For proposals with the same bid price, a priority order will be determined according to the following approach:  Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in descending order:  1) Proposals with the overall smaller maximum grant requirement will be considered to have higher priority.  2) If this doesn't allow to determine the priority, proposals located in a country <sup>30</sup> with fewer funds awarded previously under the Innovation Fund will be considered to have higher priority.  3) If this also doesn't allow to determine the priority, then proposal with a shorter time until entry into operation is considered to have higher priority.
3.10	Minimum volume of bidders	All conditions are set ex ante; the auction volume will not be adapted to the observed participation.

## 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
4.1	Maximum time to entry into operation	Five years.  The maximum time to entry into operation is defined as the period between signature of the grant agreement and entry into operation.
4.2	Sanctions in case of non-compliance with support requirements	If the maximum time to entry into operation is exceeded, the grant agreement will be terminated and the granting authority will call the completion guarantee described in point 2.2  A project entering into operation should be able to demonstrate as operational a nameplate capacity of at least 100% of that expressed in the bid.  Further, the grant agreement may be terminated and the grant reduced if the verified and certified RFNBO hydrogen production falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3 year period.  If the project cannot certify that the overall total amount of hydrogen produced achieves at least 70% GHG savings (see point

<sup>30</sup> From the EEA.

		2.10), the grant may be reduced.
<b>4.3</b>	Payment schedules	Semi-annual (every 6 months after entry into of operation)
<b>4.4</b>	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 achieves at least 70% GHG savings according to the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (on average, during the support period of the scheme). 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<sup>31</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>

## 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
<b>5.1</b>	Scheduling/auction frequency	Annual auction schedule.
<b>5.2</b>	Timing of the auction (early stage or late stage auction)	Late stage auction.
<b>5.3</b>	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:

<sup>31</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.

- 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 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 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...). 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>32</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)

#### **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 volumes of RFNBO hydrogen as stated in the proposal.

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

- a) Name of renewable electricity provider or indication of own assets<sup>33</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) Expected supply time profile
- a) to f) shall be represented in an overview table for all electricity sources.

<sup>32</sup> Undertakings that have received incompatible aid and are subject to a recovery obligation.

<sup>33</sup> Location and bidding zone of the asset(s).

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.

### **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:

- 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) Consumption profile (e.g. baseload, pay as produce...)

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

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

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.

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>34</sup>.

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<sup>34</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.

### **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>35</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 relevant national or regional authority to receive 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 relevant authority to receive a **grid connection permit** within the maximum time to Entry into Operation.

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

A letter of intent 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 4% 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).

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

**Assessment of financial maturity**, based on submission of a simplified, template-based financial model ("financial information file"), 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.

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<sup>35</sup> Note that only pre-contractual agreements are needed at bidding stage. Note also the requirement on start of works (in auction good).

The credibility and consistency of the documents will be assessed.

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

- This section describes the rules for 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<sup>36</sup> or the IPCEI Communication<sup>37</sup> and not notified e.g. under the GBER<sup>38</sup> or *de minimis* aid) or Funding from other EU programmes (e.g. EU funding such as Innovation Fund grants).

Cases of cumulation of support marked **X** are not allowed and therefore projects with support marked **X** are not eligible. A self-declaration will be required as part of the project application that by the time of 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 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 of cumulation that are allowed
RFNBO hydrogen producers	<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>39</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 electricity taxes (not covered by point 403 of CEEAG) cannot be cumulated.</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 <u>not</u> part of the bid is allowed<sup>40</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 infrastructure is not infrastructure dedicated to this project only ("non-dedicated infrastructure").</p> <p><b>V</b> Reduction from levies on electricity consumption which finance energy and environmental policy objectives (as described in point 403 and section 4.11 of CEEAG) can be cumulated<sup>41</sup>, even if they qualify as State aid.</p>

<sup>36</sup> [https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation\\_en](https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation_en)

<sup>37</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>38</sup> [https://competition-policy.ec.europa.eu/state-aid/legislation/regulations\\_en](https://competition-policy.ec.europa.eu/state-aid/legislation/regulations_en)

<sup>39</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>40</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. A combined 20MWe bid, comprising 5MWe previously funded would, however, not be eligible.

<sup>41</sup> Allowed for the 2023 auction round. If further auction rounds follow, this case of cumulation might not be allowed.

Entity	Cases of cumulation that are not allowed	Cases of cumulation that are allowed
Electrolyser manufacturers		<p>✓ Support provided to the electrolyser manufacturers supplying equipment for projects.</p>
Renewable electricity installations <sup>42</sup>	<p>✗ For RFNBO hydrogen producers entering into operation after 1 January 2028, in order to comply with the “additionality principle”, the renewable electricity installation from which power is sourced cannot receive State aid.</p>	<p>✓ For RFNBO hydrogen producers entering into operation before 1 January 2028, there is no need to apply the additionality requirement.</p> <p>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>
Hydrogen takers <sup>43</sup> off-	<p>✗ RFNBO hydrogen producers cannot have off-take contracts with consumers/be part of integrated project that benefit from aid for operational costs which affects their renewable hydrogen consumption levels and/or the levels of output, i.e. aid covering the additional costs of procuring RFNBOs.</p>	<p>✓ RFNBO hydrogen producers can have contracts with off-takers/be part of integrated projects that benefit from aid incentivising an 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.</p> <p>✓ RFNBO hydrogen producers can have contracts with off-takers/be part of integrated project that benefit from aid for infrastructure costs (pipelines, storage) provided it is not infrastructure dedicated for this project only.</p>

(\* ) this is allowed for the 2023 auction round. If further auction rounds follow, this case of cumulation might not be allowed.

<sup>42</sup> Rules stemming from Renewable Energy Directive Delegated Regulations on RFNBOs and notably “additionality principle”.

<sup>43</sup> E.g. ammonia producers, refineries, e-gas/e-fuel RFNBO producers) also in integrated projects.



## **Annex 2**

### **Knowledge Sharing**

The purpose of the knowledge sharing is to de-risk innovative technologies and solutions with regard to scaling up to a commercial size, to accelerate their deployment, to increase the undertaking of and confidence in these technologies or solutions by the investment community and wider public, as well as to maintain a competitive market for their post-demonstration deployment.

Projects that receive an Innovation Fund grant will be required to actively share information with the public and other market participants to ensure transparency and knowledge dissemination. Beneficiaries must present the project on their organisation websites and social media accounts.

The knowledge to be shared, for example through the knowledge sharing reports or through the GHG emission avoidance reports, as well as communication and dissemination activities, must cover the whole project cycle: reaching financial close; getting to entry into operation; and operation. The areas of relevant knowledge to be shared cover project management, financial engineering, permitting, procurement, construction, commissioning, performance, cost level and cost per unit performance, stakeholder engagement, environmental impacts, health and safety, as well as needs for further research and development.

More in-depth knowledge will be shared with all Innovation Fund projects of the same sector or category and with any other project (from the specific sector or category) that has agreed to share information on the same terms. Fair competition will be safeguarded during knowledge-sharing activities.

More general knowledge on the innovative technologies demonstrated under the Innovation Fund will also be shared with a wider community – Member States, researchers, NGOs, international organisations and other projects.

Confidential (sensitive) information shared by the beneficiaries will be fully preserved. Moreover, no information will be disclosed which could lead to the reverse-engineering of the beneficiaries' technology or prejudice their ability to obtain patent or other registered intellectual property right protection.