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

Feedback table

Instructions

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

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

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

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

Table of contents

Information about the respondent and general feedback

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Company / Institution / Member State: Brintbranchen / Hydrogen Denmark

Type of Stakeholder (e.g. "H2 project developer", "H2 offtaker", "industry association", "Member State" etc.): Industry association

Intention to bid in IF24 auction: No

General feedback (optional):

Hydrogen Denmark welcomes the opportunity to provide feedback ahead of the second round of the European Hydrogen Bank. Our main feedback points can be summarized as follows:

- The European Hydrogen Bank (EHB) must remain exclusive to RFNBOs.
- The second round of the EHB must introduce qualification criteria that ensure a reliable and resilient European value chain.
- We very much welcome the introduction of the maritime basket, but this requires that the total budget of the EHB is big enough to cover both the maritime and the general basket. We call on the European Commission to ensure the budget is at least EUR 2,2 bn (plus the unallocated budget from the Pilot Auction and additional funding from the use of the flexibility rule).
- The auction ceiling price should remain at 4,5 €/kg, among other things to ensure no constraints are applied on the maritime basket before information has been gathered on how the market will respond to this new basket.
- The timeline for entry into operation must remain at 5 years to ensure projects can deliver more scale, more complex fuels (e.g. maritime fuels) and with additional renewable electricity (i.e. RFNBO rules).

- We support a gradual increase of the completion guarantee, up from the Pilot Auction's 4%, over the next few coming rounds, to ensure that the European Commission can test the right level of requirement without becoming unnecessarily onerous.
- We recommend that auctions within the next 4 months allow for cumulation.

I. General auction design elements

No.	Design Element	Specific implementation in Innovation Fund renewable hydrogen auction	Feedback	Substantiating evidence, data sources, background information
1.0	Objective of the auction	To cost-efficiently support the production of renewable fuel of non-biological origin (RFNBO) hydrogen within the EEA.	We fully support maintaining the focus on RFNBOs exclusively, both in this and future rounds of the European Hydrogen Bank.	In Hydrogen Denmark's view, transitional production pathways such as low-carbon hydrogen are only an effective transitional technology if they do not require diverting public fund from the end goal of a purely renewable (such as RFNBOs) energy system. If they require the same forms of support, then these alternative production pathways are not cost-efficient transitional options (i.e. there is no need for a transition that costs the same as the actual goal).
1.1	Auctioned good	RFNBO hydrogen produced from water electrolysis in line with requirements put forward in the Renewable Energy Directive (Directive (EU) 2018/2001) and its Delegated Acts C(2023) 1086 final and C(2023) 1087 final. The RFNBO hydrogen needs to be produced by new production capacity (i.e. capacity for which at the time of application start of works did not yet take place) in order to ensure an incentive effect of the subsidy.	Hydrogen Denmark fully supports this approach, and overall believe that the current definition of RFNBOs is the only way to guarantee that hydrogen is both renewable and sustainable in the long term.	Applying a different definition of what is "sufficiently green" in the context of production support than for regulatory targets creates unnecessary complications for projects that would have to take multiple definitions into account when designing and developing the projects. Keeping a single definition across all regulatory interfaces is the best way to avoid risks of accidental non-compliance.
1.2	Constraining value	The total available Innovation Fund budget of EUR [TBC] million is the constraining value of the auction and is known in advance. For the specific basket for maritime sector, the budget will be EUR [TBC]	The European Commission should at least maintain the ambition level set by the original announcement of EUR 3bn, and in this round allocate: • The remaining EUR 2,2bn	The goal of the European Hydrogen Bank should be not to reach cost-parity with fossil hydrogen but to reach the cost-level that matches the willingness-to-pay from offtakers of RFNBOs. The Pilot Auction has shown that there is a sizeable willingness-to-pay.

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		The total RFNBO hydrogen volume for which support will be awarded derives from the total available budget and the individual bids with their respective bid prices and volumes. The European Commission may decide to make use of a budget flexibility rule of up to an additional 20% of the total budget available based on the pipeline of the projects received.	• The unallocated EUR 80m from the Pilot Auction As well as make use of the flexibility rule. We think it is a very positive development to create a basket for the maritime sector, and in line with this the European Commission should consider increasing the budget even further to cater for this new basket.	This second round should therefore focus on cementing this appetite by putting the maximum possible number of projects on the ground – of course by using all the available budget. Furthermore, breaking the budget into two baskets only makes sense if the budget is big enough to cover both.
1.3	Support type	Output-based support (payment per unit of verified and certified RFNBO H2 production).	Agree.	
1.4	Reference price	No reference price needs to be defined for a fixed premium auction.		
1.5	Support form	Fixed premium	This is still the correct approach in these early stages of RFNBO cost-discovery. However, we encourage the European Commission to consider Contracts for Difference (CfDs) for future rounds.	
1.6	Safeguards against over-subsidisation	Ensuring competition through market testing, total available budget, a ceiling price, and feedback on the level of competition from one round to another. No claw backs.	Agree. No clawbacks are critical for investor confidence. However, as we argue for allowing cumulation with other EU and MS funding, claw-back mechanisms already included under those other funding schemes may come into effect, with the most beneficial funding rate taking precedence (in accordance with State aid-rules).	
1.7	Ranking of bids	Price-only ranking	Hydrogen Denmark agrees that the ranking of bids itself should only be based on price. However, we support prequalification criteria that cover resilience of the value chain.	
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.	We advocate for a 15-year production support.	

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		2) Expected average yearly volume of RFNBO hydrogen production in kg per year over a 10 year production period. The maximum grant amount is therefore calculated as: $\left[Bid\ price\ in\ \frac{€}{kg}\right] * \left[expected\ average\ yearly\ volume\ in\ \frac{kg}{year}\right] * 10\ years$ 3) The new electrolyser capacity in MWe that will be installed and verified as being operational by the time of entry into operation.		
1.9	Minimum and maximum yearly production thresholds	No upper or lower limits to the expected average yearly production as stated in the bid. However, the maximum grant amount requested by each proposal must stay within 1/3 of the total available Innovation Fund budget for the auction (see points 1.2 and 2.3). In the case of the specific basket for maritime sector, the maximum grant amount requested by each proposal must stay within 1/2 of the total available budget in this basket.	To ensure large-scale projects have a real chance to participating, these limits require a large budget (≥ EUR 2.2bn, as we indicate in point 1.2), otherwise the biggest projects are excluded by design.	
1.10	Production flexibility rules	Semi-annual production can be increased up to 140% compared to half of the expected average yearly volume of RFNBO hydrogen production as stated in the bid (see point 1.8). Semi-annual production beyond 140% is possible but not supported by grant payments. The total grant amount is restricted to 100% of the maximum grant amount. See points 4.2 on severe underperformance and 4.3 on semi-annual payment schedule.		
1.11	Grant duration (disbursement period)	The grant agreement will end ten years after the Entry into Operation of the project (unless the total RFNBO Hydrogen production volume as stated in the bid is reached earlier, due to the production flexibility rules (see line 1.10). See also point 4.2 on grant agreement termination.	We advocate for a 15-year production support.	
1.12	Indexation of support	No indexation.	Many renewables' projects (not only within the hydrogen space) have been challenged by the lack of indexation in the past 1-2 years. We advocate for introducing indexation against inflation to avoid risk of project non-completion.	For example, offshore wind projects/auctions in the UK and the US have not come to fruition largely due to insufficient protection of business cases against inflation.

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			The indexation mechanism for inflation should be adapted both at project-level and for the overall budget to ensure that the overall budget for hydrogen projects in Europe is not diminished. The indexation could be capped to ensure CINEA can manage the funding need.	
1.13	Technology baskets, differentiation by regions or actors	There will be two budget baskets: (i) a budget of EUR [TBC] million will be earmarked for projects with maritime off-taker(s) and (ii) a general basket. The remainder of the budget is earmarked for projects which do not have off-takers in the maritime sector. For more information on the clearing mechanism, please refer to line 3.8. For a definition of an off-taker in the maritime sector, please refer to Section 3, Qualification Requirements. If a portion of the budget remains unawarded in the maritime basket, that amount will be transferred to the general basket.	It is not possible to provide feedback on this matter without information on the actual budget figures. It does however make sense to us that the unallocated maritime basket budget is transferred to the general basket.	
1.14	Method and estimate of subsidy per ton of CO2e abated	The value of the subsidy per tonne of CO2e abated will be calculated by CINEA and does not have to be provided by the applicant / does not form part of the evaluation. The expected CO2e abatement per kg of renewable hydrogen produced will be calculated using the 2021-2025 ETS benchmark of 6.84 t_CO2e/t_H2. This is a conservative estimate in not taking into account additional carbon abatement due to substitution effects in the RFNBO H2 end use application.	Agree that it makes sense that CINEA calculates the value of the subsidy per tonne of CO_{2e} abated. However, it would be worthwhile detailing this value at least by end-use, so it better reflects the actual CO_{2e} savings.	
1.15	Resilience related requirements for the electrolyser	The bidder will have to provide as part of its electrolyser procurement strategy (see section 3) information about (i) percentage of the value of the electrolyser allocated to critical raw materials, (ii) end of life / recycling strategy plans, (iii) responsible business conduct, (iv) compliance with safety and performance requirements and standards, and (v) public subsidies received for the production of the electrolyser. Beyond information gathering, the European Commission is looking into incorporating and operationalising solid resilience aspects through the auction design (e.g in the form of non-price criteria, or pre-qualification criteria) in line with the Union's international obligations. In the light of stakeholder comments in response to this consultation and a stakeholder event in June 2024, further discussions	Hydrogen Denmark believes that resilience aspects are critical for the long-term sustainability of the European hydrogen industry. We therefore strongly support an approach that goes beyond information gathering, and instead creates specific pre-qualification criteria that look into resilience of the value chain. Specifically, we overall support Hydrogen Europe's proposal for resilience, cybersecurity and safety and performance criteria, with the following additions:	We've copied Hydrogen Europe's proposal here for ease of reference: **1) RESILIENCE** In order to qualify for Hydrogen Bank funding, certain critical production steps and components of an electrolyser have to be carried out: *PROCESSES* Within the EU/EEA: • Cell units' assembly: It is the process of integrating the core components (separators and

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		between the Commission's services will take place before the final Terms & Conditions will be published in Q3 2024.	• Regarding Hydrogen Europe's proposal for processes and components within GPA-signatories, we are unsure whether this would be sufficient to guarantee a resilient European value chain. Perhaps the geographical scope here needs to be considered further to i.a. avoid "back doors" for products from geographies that do not compete fairly. • Include performance guarantees, covering the years during which the project is receiving support. • Testing by accredited European laboratories to verify performance claims, efficiency, and longevity. • Regarding supply chain resilience, critical components for electrolyser technology (cells, stacks and interconnectors etc.) to be 100% manufactured within the EEA.	electrocatalysts) of individual electrolysis cells to create functional units capable of carrying out water electrolysis reaction. • Stack assembly: It refers to the process of stacking individual electrolysis cells into a cohesive unit, the stack. Within countries signatories of the Global Procurement Agreements (GPA): • Surface treatment: Refers to the application of a coating to the stacks cell, including galvanizing and etching. It also refers to the coating of catalyst materials into membranes. *COMPONENTS* Within countries signatories of the Global Procurement Agreements (GPA): • Membranes or diaphragms • Bipolar plates or current collectors • Anodes and cathodes • Gas diffusion layers/Porous transport layers *** All these pieces of information shall be provided by an original equipment manufacturer (OEM) at the time of submitting the electrolyser procurement strategy to the project promoter. **2) CYBERSECURITY** Project promoters should demonstrate how they applied risk assessment to cybersecurity and data security, in compliance with international standards. Promoters should also demonstrate that they prioritize technology suppliers that store, analyse and share data with significant impact in

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				the EU or within third party countries that are signatories of the GPA. The EU Data Act has already entered into force (but applicable by September 2025) and requires a commonly agreed data classification scheme at EU level which would need to be fit for purpose for the hydrogen sector. This information can be about how asset developers include safeguards against unlawful international data transfers while promoting the development of interoperability standards for data sharing and data processing, in line with the EU standardisation strategy. These safeguards are also required as part of the EU data act. Benchmarks like Network and Information Directive (NIS 1 and NIS 2 Directive), the EU Cyber Resilience Act (EU CRA), the EU Data Act, and the Network Code for Cyber Security should be further explored. **SOCIAL ASPECTS** As such project promoters should present information on job creation prospects across the value chain, similar for IPCEI projects. To deal with the shortage in workforce and skills/training, the European Commission should explore introducing prequalification criterion so that bidders commit to establish KPIs to measure delivery against apprenticeship and skills outcomes and to suggest the most appropriate number of apprenticeships to be created throughout the delivery of the contract (without a specific target to avoid discriminating smaller companies). In this early scale up phase of the hydrogen sector, there will be significant learnings to take back into the R&D process to ensure the constant improvement of the products. EU funding tools should promote and encourage the development of centres of excellence e.g., partnerships with local universities and local research centres that are in close proximity to

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				the operation of the electrolyser. This proximity will contribute to more indirect job creation and speed up time frames for electrolyser maintenance and/or replacement of stacks by trained and skilled workers that know the technology. **3) SAFETY AND PERFORMANCE** Regarding safety standards, Electrolyser companies should comply with ISO 22734:2019 Regarding performance, developing a unified scheme for the next call of the Hydrogen Bank would take long. The EC should facilitate talks with CEN & CENELEC to gather the opinion of relevant stakeholders, via commissioning of appropriate research. And if feasible, EC should mandate CEN & CENELEC to develop standards accordingly. *** **IMPLEMENTATION** At the time of submitting an official bid in a Hydrogen Bank auction, project developers should present an LoI/MoU with an OEM, asserting that prequalification criteria will be met, i.e. that for the project for which a bid is submitted the production steps identified above are carried out at a site in the EU/EEA (or GPA where required). At the time of commissioning, the project developer will have to provide evidence that the manufacturing-related criteria were met. Otherwise, the grant agreement is considered void, and the project will lose both funding and completion bond.

II. Qualification requirements

No.	Design Element	Specific implementation of the Innovation Fund renewable hydrogen auction	Feedback	Substantiating evidence, data sources, background information
2.1	Qualification requirements	For further details on qualification requirements see section 3 of the Terms & Conditions**.** *Admissibility:* • Strict respect of submission deadlines, use of forms provided by the granting authority and submitted through the Funding and Tenders Portal, and compliance with presenting all required documentation (Application Forms), together with mandatory documents and supporting documents, including a Gantt chart outlining the project timeline and a financial information file (with a template-based financial model and bid components)) *Eligibility:* • Proposals must relate to projects located in the EEA. • Project and budget size in the limits expressed in point 2.3 • The bid amount may not exceed the ceiling set in point 3.7 • Compliance with legal entity checks (compliance with EU exclusion situation limitations (default, prosecution, etc). All beneficiaries will have to be validated. • No geographical limitation on origin of members of the consortium. • Signed self-declarations, see section 3 of the Terms & Conditions (also part of Application Form Part B) *Relevance and Quality.* • The proposals will be evaluated on a pass/fail basis on relevance, technical, financial, and operational maturity assessed based on the documents listed in section 3 of the Terms & Conditions and their description in Application Form B.	As per above, we support the inclusion of resilience-related qualification criteria.	

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		After evaluation and before grant agreement signature, an additional financial capacity check will be made, to ensure that applicants have stable and sufficient resources to successfully implement the projects and contribute their share.		
2.2	Completion guarantee	A completion guarantee covering 10% of the maximum grant amount (see point 1.8) will be requested. The guarantee must be issued by a bank or financial institution (rated at least BBB-/Baa3) and must be able to be called by the granting authority if the project does not reach approved entry into operation within 3 years after signing the grant agreement (see point 4.1). The completion guarantee shall be issued at the latest two months after receiving the evaluation result letter inviting the selected applicants for grant agreement preparation. It shall be valid from the date of issuance until six months after the maximum time to entry into operation (i.e. after verification that the electrolyser capacity stated as part of the bid production capacity is operational). The duration of the completion guarantee is expected to be at least 3 years and 11 months, and it will have to be issued no later than two months after the receipt of the invitation letter. A template will be made available and will have to be used. If entry into operation is reached earlier, the guarantee can be released earlier. A letter of intent from a bank or financial institution to issue a completion guarantee will be required as part of the proposal. A template will be made available and will have to be used (no changes to the template are allowed). The enforcement of completion guarantees is further explained in point 4.2.	Hydrogen Denmark support an increase of the completion guarantee from 4%. However, we believe that 10% is perhaps too big an increase in combination with the other proposed changes, that creates an unnecessary hurdle specially for smaller projects. We would therefore suggest a pathway of gradually increasing the completion guarantee requirement over the coming rounds of the European Hydrogen Bank, which allows the Commission to test the right level to ensure project completion without becoming overly onerous. Furthermore, some exceptions should be included to cater for events outside of the project developers' control, such as e.g. construction delays in energy transmission/distribution or harbour infrastructure linked to the project (that is developed by other entities). We reiterate that we do not agree with the proposal to reduce the maximum time to entry into operation from 5 to 3 years.	
2.3	Minimum or maximum restriction for project size and for bid volume	Maximum grant amount restriction for each bid: 1/3 of the total available budget defined for the auction basket. In the case of the specific basket for maritime sector, the maximum grant amount requested by each proposal must stay within 1/2 of the total available budget in this basket. Minimum technical requirements: 5 MWe of newly installed electrolyser capacity (which must be in a single location; virtual pooling of capacity is not permitted).	It is not possible to provide feedback on this matter without information on the actual budget figures. We do agree with the minimum technical requirement.	

No.	Design Element	Specific implementation of the Innovation Fund renewable hydrogen auction	Feedback	Substantiating evidence, data sources, background information
2.4	Off-taker restrictions	No off-take restrictions in the overall auction. However, limitations apply within each budget basket. Please refer to section 1.13		
2.6	Regulations for transporting hydrogen	Infrastructure costs can be priced into the bid but there is no explicit mechanism to offset comparative disadvantage of projects with infrastructure costs.		
2.7	Consideration of "General measures"[1]	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.	We recommend that the auctions within the next ~24 months allow for cumulation with other State aid or Union funding. This in the interest of speed and resource efficiency: a large number of hydrogen projects across Europe have already undergone scrutiny by both Member States and the European Commission for receiving e.g. IPCEI status. We observe that many projects previously awarded funding no longer break-even on their business cases due to recent developments, such as inflationary pressures on electricity input, electrolysers, materials, etc.	Allowing for cumulation will allow new projects as well as those existing large-scale projects that have already been scrutinized to take FID. It also allows more projects (and generally more mature projects) to bid under the bank and thus strengthens competition. Finally, allowing cumulation will increase the impact of previously awarded funding that currently sits idle with those projects unable to take FID. The auctions are essentially set out to support realization of REPowerEU as well as ensuring EU green industrial capabilities and should thus focus on speed and simplicity rather than upholding a strict approach to application of State aid and Union funding. We believe this suggestion to also be in line with the direction set out in e.g. the Temporary Crisis and Transition Framework (TCTF). Should the Commission maintain a position of non-cumulation, projects should at least be allowed to seek additional public funding for clearly identifiable, distinct costs that are structured into different development stages or into

[1] (e.g. green premium stemming from regulations)

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				separate sub-projects. As each funding programme then finances distinct costs, this will leave no risks of a cumulation or overlap of public support. Should the Commission maintain a position of non-cumulation, projects should at least get the possibility to confirm the willingness to repay previously awarded funding to the grantor of that aid, so that in the framework of the European Hydrogen Bank no payment shall be made to the applicant until previously received funding has been set off in its entirety (similar to conditions under e.g. the UK CfD Scheme (https://www.lowcarboncontracts.uk/sites/default/files/publications/State%20Aid%20V7%2022032018.pdf – see page 11). Any rules regarding cumulation under the auctions are limited to aid/funding received in relation to the costs of the project, referring to the design, development construction, conversion, instillation, completion, testing, commissioning, operation, maintenance and decommissioning of the facility, instead of referenced to the broad definition of State aid including any "aid granted by a Member State or through State resources in any form whatsoever" under the Article 107(1) of the Treaty of the Functioning of the European Union. Therefore, if you have received State aid for costs which are entirely unrelated (i.e. which do not overlap either partly or fully) to the project, then they should not be subject to any rules under these auctions which would prevent them from 'cumulation' with aid granted under the European Hydrogen Bank.
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.		

No.	Design Element	Specific implementation of the Innovation Fund renewable hydrogen auction	Feedback	Substantiating evidence, data sources, background information
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).		

III. Design elements defining the auction procedure

No.	Design Element	Specific implementation in Innovation Fund renewable hydrogen Auction	Feedback	Substantiating evidence, data sources, background information
3.1	Competitiveness of the process	No discrimination against participants in auction. Transparency on requirements and sufficient lead times to prepare bids. Total available budget with possible 20% budget flexibility is a limiting constraint. No ex-post adjustments of auction rules.	Future auctions should open more sectoral baskets, so that similar offtakers are able to compete on similar cost structures, thus enhancing competitiveness.	
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.		

No.	Design Element	Specific implementation in Innovation Fund renewable hydrogen Auction	Feedback	Substantiating evidence, data sources, background information
3.7	Ceiling prices	Disclosed ceiling price: 3.50 €/kg of hydrogen produced as a maximum bid for the fixed premium. The same ceiling price would apply to both the general basket and the maritime basket of the auction. rounds.	Hydrogen Denmark believes it might be premature to reduce the ceiling price, particularly now as the maritime basket is introduced. The maritime basket might still need a ceiling price of 4,50 €/kg (as in the Pilot Auction), and we therefore suggest keeping it unchanged this time around.	
3.8	Clearing mechanism and marginal bid	Bids are awarded based on the bid price until the total budget available for the auction is allocated. Proposals whose requested grant amount fits within the Innovation Fund call budget will be also assessed against operational capacity and the relevance and quality award criteria, on a pass/fail basis. The last bid that exceeds the total budget available will be added to the reserve list. The European Commission may decide to make use of a flexibility rule of up to an additional 20% of the total budget available. The maritime basket will be cleared first. If a portion of the budget remains unawarded in the maritime basket, that amount will be transferred to the general basket. If a portion of the budget remains unawarded in the general basket, that amount will be transferred to the maritime basket and the clearance of the latter revised with the additional available budget. Any remaining budget afterwards will be transferred to the next auction.		
3.9	Tiebreaker rule	For proposals with the same bid price, a priority order will be determined according to the following approach: Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in descending order: 1) Proposals with the overall smaller maximum grant requirement will be considered to have higher priority.	Additionally, the European Commission could consider adding digits to the bids, so that bids are submitted with 4 decimals, as was the case in the Danish PtX Tender.	

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		2) If this doesn't allow to determine the priority, proposals located in a country[2] with fewer funds awarded previously under the Innovation Fund will be considered to have higher priority. 3) If this also doesn't allow to determine the priority, then proposal with a shorter time until entry into operation are considered to have higher priority.		
3.10	Minimum volume of bidders	All conditions are set ex ante; the auction volume will not be adapted to the observed participation, except for the possibility of applying of a budget flexibility rule of up to 20% of additional budget.		

IV. Design elements defining rights and obligations

No.	Design Element	Specific implementation in Innovation Fund renewable hydrogen Auction	Feedback	Substantiating evidence, data sources, background information
4.1	Maximum time to entry into operation	3 years. The maximum time to entry into operation is defined as the period between signature of the grant agreement and entry into operation.	We view the change from 5 to 3 years for project completion negatively. This is highly problematic due to both: • the additionality requirement from the delegated act for RFNBOs (which we support, but means that electrolysers are also dependent on the timelines for renewable electricity generation projects, which don't necessarily fit within a 3-year window), • and to the fact that projects converting the renewable hydrogen	

[2] From the EEA.

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			further into e.g. maritime fuels require longer construction timelines. It also risks keeping larger-scale projects from participating. Hydrogen Denmark therefore opposes this change and view it as critical that the Commission maintains the 5-year requirement from the Pilot Auction. Furthermore, a 1-year extension option should be included to cater for events outside of the project developers' control, such as e.g. construction delays in energy transmission/distribution or harbour infrastructure linked to the project (that is developed by other entities).	
4.2	Sanctions in case of non-compliance with support requirements	If the maximum time to entry into operation is exceeded, the grant agreement will be terminated, and the granting authority will call the completion guarantee described in point 2.2 A project entering into operation should be able to demonstrate as operational a nameplate capacity of at least 100% of that expressed in the bid. The entry into operation needs to be approved by the granting authority. Further, the grant agreement may be terminated and the grant reduced if the verified and certified RFNBO hydrogen production falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3 year period. If the project cannot certify that the overall total amount of hydrogen produced achieves at least 70% GHG savings (see point 2.10), the grant may be reduced. If a project was awarded under the maritime basket, it will have to demonstrate during implementation that at least 60% of the total volume of hydrogen production as stated in the bid will be directed to a maritime off-taker. If the project is not able to demonstrate signed contracts for 60% of the production volumes with a maritime off-taker at the moment of reaching Financial Close, it will be terminated. At the end of the implementation period, the project will have to demonstrate the compliance with this requirement. Non-compliance will result in proportional reduction of the maximum grant.		

No.	Design Element	Specific implementation in Innovation Fund renewable hydrogen Auction	Feedback	Substantiating evidence, data sources, background information
4.3	Payment schedules	Semi-annual (every 6 months after entry into of operation)		
4.4	Reporting requirements	Until entry into operation, projects will have to report annually on their progress and on key milestones such as reaching financial close and entry into operation. After entry into operation, projects will report periodically alongside their requests for payment. Reports will concern the verification and certification of the produced volume of RFNBO hydrogen. The beneficiaries will need to provide certification that the total volume of hydrogen produced during the support period achieves at least 70% GHG savings according to the rules set out in the Delegated Act C(2023) 1086 supplementing Directive (EU) 2018/2001 (calculated and certified at the end of the support period of the scheme). Certification can be provided by a third party or through audited reports. Beneficiaries awarded under the maritime basket will report periodically, alongside their request for payment, on the status of off-takers and the sectors towards which the production of hydrogen is being directed. The beneficiaries will report periodically, alongside their request for payment, on the absence of cumulation as stipulated in the section 4. To fulfil the call objective of price discovery and contribution to market formation, the bid components of successful applicants[3], 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.		

[3] Namely bid price, volume and capacity as well as the name of the applicant, anonymized and aggregated off-take prices as stated in the financial information file.

V. Design elements defining the auction and framework conditions

No.	Design Element	Specific implementation in Innovation Fund renewable hydrogen auction	Feedback	Substantiating evidence, data sources, background information
5.1	Scheduling/auction frequency	To be defined based on participation received in previous auctions.	Auctions should reoccur every 1-1,5 year, and the schedule should be announced for the whole period up to 2030 as soon as possible.	Visibility on future EHB auction rounds and fixed yearly dates for launch, deadline, award etc. would allow developers to match and coordinate those timelines against project development timelines.
5.2	Timing of the auction (early stage or late-stage auction)	Late-stage auction.		
5.3	Granting authority	Climate, Infrastructure and Environment Executive Agency (CINEA)		

VI. Qualification Requirements

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

No.	Design Element	Feedback	Substantiating evidence, data sources, background information
6.7	Completion guarantee letter of intent		
6.8	Assessment of maturity		

VII. Rules for cumulation of support

No.	Design Element	Feedback	Substantiating evidence, data sources, background information
7.1	Cumulation Rules	We recommend that the auctions within the next ~24 months allow for cumulation with other State aid or Union funding.	See point 2.8.

VIII. Other Comments

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