



HYDROGEN HEADSTART

FREQUENTLY ASKED QUESTIONS

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Australian Government
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ARENA

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FAQ OVERVIEW

This document contains frequently asked questions (**FAQs**) regarding the Hydrogen Headstart Program (**the Program**). This FAQ document supersedes the consultation period FAQ list published in July 2023. This FAQ document will be updated as the Program progresses. For further details please refer to the Program webpage at arena.gov.au/funding/hydrogen-headstart/.

This FAQ document should be read in conjunction with the Program Guidelines (the **Guidelines**) available at arena.gov.au/funding/hydrogen-headstart/. In the event of any inconsistency between this FAQ document and the Guidelines, the Guidelines will prevail to the extent of the inconsistency.

Questions relating to the Program can be submitted by emailing hydrogenheadstart@arena.gov.au. Please note ARENA reserves the right to publish any general questions and answers around the assessment process, information requirements and timetable in this FAQ document.

PROGRAM OVERVIEW AND OBJECTIVES

1. WHAT IS THE PURPOSE OF HYDROGEN HEADSTART?

In May 2023, the Australian Government announced it would invest up to \$2 billion in the Program to fund large-scale hydrogen production projects (**Projects**) to accelerate the development of Australia's hydrogen industry, catalyse clean energy industries and help Australia connect to new global hydrogen supply chains to take advantage of hydrogen's immense jobs and investment potential.

The Program reflects a responsive approach to global market signals. International hydrogen industry support in other countries reflects strengthening international competition for early investment attraction, including the US Inflation Reduction Act, Germany's H2Global auction and the UK's hydrogen production business model.

The Department of Climate Change, Energy, Environment and Water (**DCCEEW**) in collaboration with the Australian Renewable Energy Agency (**ARENA**) undertook a design and consultation process for the Program in July 2023. It considered feedback from a wide range of stakeholders including industry. The Program Guidelines have been developed based on the consultation, industry feedback and alignment to the policy objectives.

2. WHAT IS THE SPECIFIC FOCUS OF THE PROGRAM?

Scaling up production of renewable hydrogen is vital for achieving Australia's ambition to become a renewable energy superpower. It will also enable Australian industry to realise new opportunities in manufacturing and export industries while contributing to Australia's decarbonisation commitments.

As outlined in the Program Guidelines, the Program Objectives are to:

- › Produce renewable hydrogen at scale in Australia, facilitating an accelerated pathway to the technical and commercial viability of renewable hydrogen production and use.
- › Support domestic decarbonisation, build industry capability, and provide for new economic opportunities in our manufacturing and export industries.
- › Provide price discovery and transparency in relation to the current and projected economics for renewable hydrogen (and its derivative products) technologies.
- › Reduce barriers for future deployments through developing construction expertise, skilled labour, intellectual property, and attracting key equipment manufacturers and private sector capital (debt, equity and offtake).
- › Facilitate knowledge sharing throughout industry to assist with maturing the Australian renewable hydrogen industry.

The Program will help build domestic production capabilities essential for positioning Australia to be an early mover in the growing global hydrogen sector, creating jobs for the future and catalysing new renewable energy industries.

Projects funded under the Program will support achievement of the Program Objectives.

3. HOW WILL FUNDING BE PROVIDED UNDER THE PROGRAM?

All funding provided through the Program will be in the form of a grant. The grant will only be provided in the form of the Production Credit, paid per unit of eligible hydrogen or hydrogen derivative production. This funding will be paid quarterly (at the end of each quarter), subject to the certain payment conditions being met. Further detail is provided within the Program Guidelines, in particular Appendix A.

4. HOW MANY PROJECTS DO YOU EXPECT THE PROGRAM TO SUPPORT?

There is no minimum or maximum number of Projects that can be funded under the Program. The number of successful Projects will depend on the funding requests and merit of the applications submitted. The Program is intended to fund large-scale hydrogen production projects with accordingly large funding requests. As such, it is expected that at least two projects will be supported under the Program.

Projects that may not be eligible or successful under the Program may be able to access funding from other programs run by ARENA, other Commonwealth agencies or state and territory governments.

5. WHY IS THE PROGRAM FOCUSED ON RENEWABLE HYDROGEN AND NOT OTHER FORMS OF LOW CARBON HYDROGEN?

The Program is a measure that provides revenue support for investment in renewable hydrogen production and was announced in the 2023-24 Federal Budget. In line with this, and the Australian Government's plan for Australia to become a renewable energy superpower, the Program is focused on renewable hydrogen only.

Accordingly, an eligibility requirement for the Program is that the entire hydrogen production process (including balance of plant) must be from electrolysis and be 100 per cent powered by renewable energy. Refer to Part 2 of the Guidelines for further detail.

6. IS THE \$2 BILLION ALLOCATED TO THE PROGRAM NOMINAL OR REAL?

The Total Funding Allocation for the Program is \$2 billion. This figure will not change with any future changes in inflation.

7. WILL THERE BE FUTURE HYDROGEN HEADSTART FUNDING ROUNDS?

ARENA and the Australian Government have not announced any further funding rounds under the Program. The development and administration of the Program will provide price discovery and lessons that may inform the Australian Government of potential future funding, policy and initiatives.

8. HOW DO I ASK QUESTIONS IN RELATION TO PROGRAM?

Applicants can submit questions relating to the Competitive Round by emailing hydrogenheadstart@arena.gov.au. Questions should be for clarification only. ARENA reserves the right to publish any such questions and answers in an updated version of this FAQ document.

PROGRAM ELIGIBILITY

9. WHO IS ELIGIBLE TO APPLY FOR FUNDING UNDER THE PROGRAM?

To be eligible for funding, your organisation must:

- › be a State or Territory of Australia (including non-corporate State or Territory entities and statutory authorities); or
- › be either:
 - an Australian entity incorporated under the *Corporations Act 2001* (Cth); or
 - an Australian State or Territory owned corporation, or a subsidiary of an Australian State or Territory owned corporation,that, at the time of applying and throughout the life of the Project, holds an Australian Business Number (ABN).

10. WHAT TYPE OF PROJECTS ARE ELIGIBLE?

The Eligibility Criteria for the Program are provided in Part 2 of the Guidelines. Please refer to guidance provided for Eligibility Criterion B to ensure the proposed Project meets the eligibility requirements for the Program.

11. WHAT IS THE MINIMUM REQUIRED PROJECT SIZE?

An eligibility requirement for the Program is for the facility to include a 50 MW minimum electrolysis single-site deployment measured as the nameplate capacity of the electrolysis deployment.

The Program is focused on scale of production and, therefore, Projects must be located at a single site. Projects with hydrogen production and conversion facilities on different sites but in a similar region, connected by pipeline or otherwise, will be considered as a single site deployment. However, distributed production across multiple geographically diverse sites (for example, 5 x 10 MW production facilities along a refuelling highway) are not eligible.

There are currently a number of other ways smaller scale projects can access Australian Government funding, including through ARENA's Advancing Renewable Program and various state or territory government initiatives.

12. HOW DO YOU DEFINE RENEWABLE HYDROGEN AND RENEWABLE ENERGY?

Part 2 of the Guidelines note that, for Projects funded under the Program, the entire hydrogen production process (including balance of plant) must be from electrolysis and be 100 per cent powered by renewable energy.

All electricity use must be matched with the surrender of eligible renewable electricity certificates (RECs) or be input directly from eligible behind the meter renewable generation for which no RECs were created. Eligible RECs will include large-scale generation certificates (LGCs) or other units accepted in the Guarantee of Origin Scheme (GO Scheme) Scheme that were created within 12 months of hydrogen production. The RECs can be sourced through PPAs or other arrangements.

Where an Applicant is proposing to use contracted electricity derived from a renewable PPA, the Applicant would need to voluntarily surrender/retire the associated certificates. That is, such certificates would not be able to be applied for other purposes not associated with the project (for example, extinguishing a certificate liability or on-selling the certificates). This would also be the case for any certificates generated by on-site renewable electricity generation. An arrangement to confirm such surrender/retirement would be outlined in a final Funding Agreement.

For the avoidance of doubt, hydrogen produced using coal gasification or steam methane reforming (SMR) coupled with carbon capture and storage (CCS) technology will not be eligible under the Program.

13. DO RENEWABLE ENERGY CERTIFICATES NEED TO BE TIME MATCHED OR PROCURED FROM PROJECTS IN A PROXIMATE LOCATION? DOES THE PROJECT NEED TO UTILISE NEW BUILD RENEWABLE ENERGY GENERATION?

There is no requirement for time matching or location proximity for LGCs. There is no requirement for renewable energy to be sourced from new build projects.

14. WILL PROJECTS THAT PRODUCE HYDROGEN THROUGH MEANS OTHER THAN ELECTROLYSIS, OR WHERE ELECTROLYSIS IS POWERED BY ENERGY GENERATED FROM BIOMASS OR RELATED FEEDSTOCKS, BE ELIGIBLE FOR FUNDING?

As noted within Part 2 of the Guidelines, an eligibility requirement for the Program is the deployment of a hydrogen production facility producing hydrogen from electrolysis. Therefore, production of hydrogen through means other than electrolysis will not be eligible under the Program.

Projects considering using electricity from a bioenergy production method will need to demonstrate that the feedstock is considered renewable as per Section 17 of the *Renewable Energy (Electricity) Act 2000* (Cth) and Division 2.2 of the *Renewable Energy (Electricity) Regulations 2001* (Cth). The Program is also focused on scale of renewable hydrogen production. The Project will need to demonstrate it can deliver the minimum scale required under the Program, which may require consideration of access to sufficient feedstock to power the electrolyser.

As noted within the Guidelines, Projects are required to verify their renewable energy usage to remain eligible to receive the Production Credit.

15. WILL A PROJECT THAT HAS BOTH RENEWABLE HYDROGEN PRODUCTION AND SMR/CCS BE ELIGIBLE?

The Program is targeted for projects producing hydrogen from renewable sources only. Only the production of hydrogen from renewable energy will be eligible under the Program.

16. HOW WILL THE GUARANTEE OF ORIGIN SCHEME INTERACT WITH THE PROGRAM?

The Guarantee of Origin Scheme (GO Scheme) which is currently under development is an assurance scheme being designed to track and verify emissions associated with hydrogen, renewable electricity and will expand to other clean energy products made in Australia. The GO Scheme will show where a product has come from, how it was made and the emissions throughout its supply chain.

The Guidelines note that the Applicant will need to demonstrate how it intends to comply with the GO Scheme to verify the emissions intensity of production. It is expected that verification of production through the GO Scheme can be used to demonstrate adherence with the eligibility requirements for receiving the Production Credit (which are noted under Part 2 of the Guidelines).

It is expected that as part of the annual reconciliation process, ARENA will require Recipients to provide evidence satisfactory to ARENA, as certified by an appropriately qualified independent body where relevant, to verify that production is indeed eligible for support under the Program. Further detail on the annual reconciliation process is provided within Appendix A.

17. WHAT IS MEANT BY A 'SINGLE SITE DEVELOPMENT'?

An eligibility requirement of the Program is for Projects to be a 50 MW minimum electrolysis single-site deployment. The Program is focused on scale of production and therefore the electrolyser capacity of Projects must be located on a single site. Decentralised electrolyser deployments (i.e. 5 x 10 MW electrolyser deployments located across Australia) would not be eligible for the Program. Projects may include hydrogen production and conversion facilities on different sites but in a similar region, connected by pipeline or otherwise. Renewable energy assets do not need to be located adjacent to hydrogen production.

18. WHAT HYDROGEN DERIVATIVE PRODUCTS ARE ELIGIBLE? ARE METHANOL OR OTHER E-FUELS ELIGIBLE DERIVATIVES?

In line with the Eligibility Criteria noted in Part 2 of the Guidelines, all end uses of hydrogen or hydrogen derivative products are eligible under the Program, subject to all other Eligibility Criteria being met.

19. ARE EXPORT PROJECTS ELIGIBLE?

In line with the Eligibility Criteria noted in Part 2 of the Guidelines, all end uses of hydrogen or hydrogen derivative products, including export, are eligible, subject to all other Eligibility Criteria being met.

20. DOES THE 50MW MINIMUM DEPLOYMENT REFER TO INPUT OR OUTPUT OF THE ELECTROLYSER?

The minimum deployment of 50 MW refers to the electrolyser input or nameplate capacity of the electrolyser.

21. CAN TRANSPORT PROJECTS SUBMIT TO THE PROGRAM AND INCLUDE VEHICLE CAPEX IN THEIR SUBMISSIONS?

The Program Guidelines note that all end uses of hydrogen are eligible for the Program. However, all funding provided under the Program will be in the form of the Production Credit, which is paid per unit of hydrogen or derivative production. Therefore, upfront funding will not be provided under the Program to support the capital cost of vehicles or refuelling infrastructure. Projects must also meet the eligibility requirements, including a 50 MW single-site deployment of electrolysis.

22. WHAT OTHER GOVERNMENT FUNDING IS AVAILABLE IF I AM NOT ELIGIBLE FOR THE HYDROGEN HEADSTART PROGRAM?

Funding under the Program will only be provided to Projects that meet the eligibility requirements noted in Part 2 of the Guidelines. This includes the requirement for the Facility to include a 50 MW minimum electrolysis single-site deployment.

There are a number of opportunities that may be available for funding applications:

- › The \$15 billion [National Reconstruction Fund \(NRF\)](#) will provide finance (including debt and equity) to drive investments and add value in priority areas of Australia's economy. The Australian Government has announced a target investment level of up to \$3 billion of NRF finance for renewables and low emissions technologies. This may include supporting opportunities for manufacturing hydrogen electrolyser components.
- › The [Powering the Regions Fund](#) supports regional Australia to reduce emissions in existing industries, foster new clean energy industries, and develop associated workforces.
 - The \$600 million [Safeguard Transformation Stream \(STS\)](#) supports trade-exposed facilities covered by the Safeguard Mechanism to reduce direct (scope 1) emissions.
 - The \$400 million [Industrial Transformation Stream \(ITS\)](#) seeks to support existing industrial facilities, and new clean energy developments, in regional areas to reduce their emissions, in line with Australia's 2030 targets and in support of reaching net zero by 2050.
 - The \$400 million [Critical Inputs to Clean Energy Industries \(CICEI\)](#) grant program provides targeted support to hard-to-abate sectors to help maintain domestic capability alongside decarbonisation efforts.
- › ARENA's Advancing Renewables Program is continuously open for applications that address ARENA's Strategic Priorities, which include Renewable Hydrogen.

Applicants should make their own enquiries to determine if these opportunities are appropriate for them. Further information on opportunities can be found through [business.gov.au](https://www.business.gov.au) and [arena.gov.au](https://www.arena.gov.au).

23. DOES THE PROJECT NEED TO BE BASED IN A HYDROGEN HUB?

In line with Part 2 of the Guidelines, the hydrogen production component of Projects must be located in Australia. However, Projects do not need to be located in a Commonwealth, state or territory government hydrogen hub region.

24. WHAT IS THE DIFFERENCE BETWEEN THE ELIGIBILITY CRITERIA AND THE MERIT CRITERIA?

An application must meet each of the Eligibility Criteria specified in Part 2 of the Guidelines in order to be assessed for funding under the Program. If any of the Eligibility Criteria are considered to not be met, ARENA may at its discretion, consider the application ineligible for funding and the application will not be assessed or considered for funding.

All eligible applications will be assessed against the Merit Criteria noted in Part 5 of the Guidelines. Further detail on the assessment process is provided within this FAQ document and within Part 3 of the Guidelines.

FUNDING MECHANISM AND PAYMENT

25. IS THERE A MINIMUM OR MAXIMUM AMOUNT OF FUNDING A PROJECT CAN APPLY FOR?

There is no minimum or maximum amount of funding that a project could apply for. However, Applicants should note that the total funding available under the Program is \$2 billion (the **Total Funding Allocation**).

As part of the application process, it is proposed that Applicants will nominate a dollar value per kilogram of renewable hydrogen (or derivative as relevant), which represents the funding gap and support required (the **Production Credit**). Applicants are also requested to nominate the Forecast Lifetime Production Volume (at both EOI and Full Application stage) and the Forecast Annual Production Volume (at Full Application stage only). The total funding available to a successful Recipient will be the Forecast Lifetime Production Volume multiplied by the Production Credit value, effectively acting as a cap on funding available to the Recipient under the Program.

Diligence will be undertaken by ARENA on the Forecast Lifetime Production Volume and Forecast Annual Production Volume as part of the assessment process with respect to the estimated production capacity of the facility, taking into consideration factors such as power supply arrangements and offtake. This will contribute to the merit assessment of the Project.

26. WILL THE PRODUCTION CREDIT BE INCREASED FOR THE EFFECT OF INFLATION?

As outlined in Appendix A of the Guidelines, the Production Credit will not be indexed for inflation. Applicants should nominate a Production Credit in nominal terms. The same nominal \$/kg or \$/unit of derivative will be paid for every eligible unit of production over the entire support period.

Applicants are advised to nominate a value of the Production Credit that incorporates the inflation assumptions of the Applicant and ensures the Production Credit continues to bridge the economic gap between the costs of production and offtake revenues adjusted for inflation.

27. HOW SHOULD FOREIGN EXCHANGE BE CONSIDERED IN THE PROPOSED PRODUCTION CREDIT VALUE?

The Total Funding Allocation for the Program is \$2 billion Australian dollars. Applicants should incorporate exchange rate assumptions in financial modelling to determine the required Production Credit value in Australian dollars.

28. WHAT IF PROJECTS EXPERIENCE COST ESCALATION AFTER BEING SELECTED?

Appendix B of the Guidelines notes the expected level of cost confidence at the EOI and Full Application stages. The level of cost confidence, and therefore the risk of cost escalation, as well as the level of contingency will be considered in assessing the merit of Projects.

Cost overruns are expected to be borne by the Recipient.

29. WHAT FORM OF FUNDING WILL THE PRODUCTION CREDIT BE? WILL IT BE GRANT FUNDING? WILL IT NEED TO BE REPAID?

The Production Credit is grant funding. However, funding will be paid over the 10 year support period covering a portion of the operational life of the Project (rather than a more conventional upfront capex model often seen in other grant programs). Funding under the Program will also be subject to upside sharing and repayment provisions, noted within Appendix A of the Guidelines.

30. HOW WILL UPSIDE SHARING ARRANGEMENTS OPERATE?

As part of the annual reconciliation process, Recipients will be required to provide information on actual revenues and expenses and other key metrics as required to calculate upside. The upside sharing arrangement and calculation methodology will be agreed between ARENA and Recipients. However, it is intended that to the extent that material upside has been experienced, subsequent Production Credit quarterly payments will be reduced until 50 per cent of the upside has been returned to ARENA.

31. HOW WILL THE UPSIDE SHARING AND RECOUPMENT PROVISIONS OPERATE TOGETHER?

The achievement of upside will be determined each year as part of the annual reconciliation process. The agreed amount of upside will be shared or returned to ARENA in the support quarters (through a reduction in the Production Credit quarterly payments) immediately after the annual reconciliation process takes place. For example, if upside was experienced in relation to support year 2, then the first Production Credit quarterly payment in support year 3 would be reduced. If upside is substantial, the second, third or later Production Credit quarterly payments in the subsequent support year(s) could also be reduced. It is not anticipated that Recipients will need to 'pay' ARENA, in order to return upside.

As noted in the Guidelines, the Agreement between ARENA and each Recipient is expected to include Recoupment provisions, which would be triggered if 'windfall gains' have been experienced by the Project. This is expected to capture the situation where market changes result in the Project no longer requiring concessional funding support, for example if offtake prices have increased substantially. In this situation, the Recipient would be required to pay back to ARENA a certain amount of the Production Credit funding it has previously received under the Program. The detail of events triggering Recoupment, calculation of the funding recouped and the timing of when Recoupment may be triggered will be agreed between ARENA and each Recipient. It is not expected that the funding returned to ARENA under either the upside sharing or Recoupment provisions will exceed the grant funding paid to the Recipient.

32. WILL THE UPSIDE SHARING ARRANGEMENT TAKE INTO ACCOUNT ANY INCREASES IN PRODUCTION COSTS AND/OR REDUCTIONS IN OFFTAKE/SALES PRICES?

Yes, upside will be considered as 'net' upside. If the sales price increased during the term but production costs also increased, then both factors would be considered. The calculation of upside will be agreed between ARENA and Recipients, consistent with the principles noted in the Guidelines.

33. HOW WILL THE THRESHOLD FOR COMMENCEMENT OF UPSIDE SHARING OR RECOUPMENT BE DETERMINED?

The threshold will be agreed with each successful Recipient as part of Agreement negotiations, consistent with the principles noted in the Guidelines.

34. IS 10 YEARS THE MAXIMUM PAYMENT PERIOD FOR THE PRODUCTION CREDIT?

The maximum payment period for the Production Credit is 10 years. A Recipient may receive less than 10 years of Production Credit payments in select circumstances, for example, if the agreed sunset date for reaching Project operations is not achieved.

APPLICATION PROCESS

35. HOW DO I APPLY TO THE PROGRAM?

EOI applications must be submitted through ARENA's online submission portal, ARENANet, which is accessible from the Program webpage. Applicants must select the 'Hydrogen Headstart - Expression of Interest' application form and complete all required fields in this form and provide all mandatory attachments. Each section of the application form contains instructions on the information required and any word limits that may apply.

As noted in Appendix B of the Guidelines, the Project Plan document must be attached to the online submission, along with the Key Attachments. The Key Attachments include: the Financial Model for the Project; supporting evidence (term sheets or MOUs) for offtake, renewable energy, EPC/OEM arrangements; a completed feasibility study for the Project; and a completed Project Budget and Sources and Uses spreadsheet (in the form provided by ARENA available on the Program webpage).

Applicants can save their application at any time before submission. The application must be formally submitted through ARENANet by the EOI Due Date, as noted within Part 4 of the Guidelines and under the Key Dates section of the Program webpage. ARENA reserves the right to accept EOIs submitted after the EOI Due Date in exceptional circumstances at its sole discretion. Applicants are advised to commence the online form well in advance of the EOI Due Date.

Only Applicants that are successful at the EOI stage will be invited to submit a Full Application.

For more detail, please refer to Part 3 of the Guidelines for further guidance on applying to the Program.

36. IS THERE A DEADLINE FOR SUBMITTING AN EOI APPLICATION?

Yes. All EOI applications must be submitted through ARENANet before the EOI Due Date, as specified in Part 4 of the Guidelines and under the Key Dates section of the Program webpage.

37. WHAT DO I NEED TO PROVIDE AS PART OF MY APPLICATION? IS THERE A TEMPLATE THAT APPLICANTS SHOULD USE TO STRUCTURE THEIR APPLICATION OR CAN APPLICANTS CHOOSE THEIR OWN FORMAT?

Applicants should follow the instructions on ARENANet when completing the online application form. Applicants are required to attach further documentation as set out in Appendix B of the Guidelines.

There is no template provided for the Project Plan document, however, the Project Plan should include all information noted Appendix B (including adhering to the 30 page limit).

Applicants are required to complete the 'Project Budget and Sources and Uses' template and attach this to their application. This template is available on the Program webpage.

38. WHAT IF I AM UNABLE TO PROVIDE ALL THE INFORMATION NOTED IN APPENDIX B OF THE GUIDELINES?

Applicants are advised to provide as much of the information noted in Appendix B as possible to support an assessment of the merit of the application against the Merit Criteria noted in Part 5 of the Guidelines.

39. IF A PROJECT INCLUDES MULTIPLE CONSORTIUM MEMBERS OR STAKEHOLDERS, DOES EACH CONSORTIUM MEMBER NEED TO SUBMIT AN APPLICATION?

No. Only one eligible Applicant should submit an application for the Project on behalf of the Consortium. The lead organisation seeking to receive the Production Credit would generally be expected to be the Applicant and enter into the Funding Agreement. Other organisations such as equity providers or offtakers may be part of a Consortium and noted within the application as project partners but are not anticipated to be able to receive the Production Credit.

40. CAN AN ORGANISATION SUBMIT MORE THAN ONE APPLICATION OR BE A MEMBER OF MORE THAN ONE CONSORTIUM?

Yes, there is no limit to the number of applications that can be submitted by an individual or organisation. However, if an individual or an organisation intends to be part of more than one Project, they must be able to justify that they will have, or be able to allocate, sufficient time and resources to all Projects should they each be successful, in line with demonstrating merit against Merit Criterion B (noted within Part 5 of the Guidelines).

41. HOW DO I ASK QUESTIONS IN RELATION TO THE PROGRAM? CAN ARENA ASSIST ME WITH MY EXPRESSION OF INTEREST APPLICATION?

Any questions regarding the Program including the assessment process, information requirements and timetable may be submitted by email to hydrogenheadstart@arena.gov.au. Questions should be of a clarificatory nature only. ARENA reserves the right to publish any such questions and answers in this FAQ document.

ARENA is unable to work with Applicants to develop or provide feedback on applications or Projects during the EOI stage of the Program.

42. SHOULD I APPLY TO ARENA UNDER THE HYDROGEN HEADSTART PROGRAM OR UNDER ANOTHER ARENA PROGRAM OR FUNDING ROUND?

Applicants should review the relevant Program Guidelines (and Funding Announcement if applicable) for the available ARENA funding rounds and programs to determine which may best suit the proposed project. Applicants should apply through one funding round or program only. ARENA, at its discretion, may suggest Applicants resubmit an application under a different funding round or program.

43. HOW WILL ARENA ENSURE THE CONFIDENTIALITY OF INFORMATION PROVIDED WITHIN MY APPLICATION?

Part 9 of the Guidelines provides that information of a confidential nature that is provided by an Applicant as part of or in connection with any application or negotiation process (if any) will be treated as commercial-in-confidence information by ARENA and will only be disclosed with the consent of the Applicant. Notwithstanding this, commercial-in-confidence information provided by Applicants may be disclosed by ARENA to the parties listed under Part 9 (at a high level, being ARENA's Personnel, its advisers or relevant Government entities). Please refer to Part 9 of the Guidelines for further detail.

ASSESSMENT PROCESS AND MERIT CRITERIA

44. HOW WILL MY APPLICATION BE ASSESSED?

Part 3 of the Guidelines details the two-stage assessment process (Expression of Interest and Full Application) that will be used to assess applications under the Program.

The first stage of the Program is the EOI stage. EOI applications must be submitted on ARENANet by the EOI Due Date (refer to Part 4 of the Guidelines and the Program webpage). EOIs must include the information and attachments noted under Appendix B of the Guidelines.

An external advisory panel may be engaged to review applications and score each application against the merit criteria, outlined in Part 5 of the Guidelines. Each merit criterion has equal weight in the assessment process. Applications will then be ranked based on their score with only applications assessed as being of overall high merit against the Program Merit Criteria at EOI stage invited to submit a Full Application. ARENA will inform Applicants of the outcome of their EOI application in accordance with the timeframe noted in Part 4 of the Guidelines.

45. WHAT HAPPENS AFTER I SUBMIT MY EOI APPLICATION?

After the EOI Due Date, all submitted applications will be checked against the Eligibility Criteria noted in Part 2 of the Guidelines. All eligible applications will then be assessed by ARENA. Applicants may be contacted throughout the assessment process if clarifications are needed in relation to the application material.

46. WHAT DOES A 'COMPETITIVE PROCESS' MEAN?

The Program is being delivered as a competitive process. Applications to the Program must be submitted by the specified deadlines and eligible applications will be ranked based on an assessment against the Merit Criteria.

Applications with the highest rankings at the completion of the assessment of Full Applications would be offered funding, subject to:

- › a portfolio approach (refer Question 47 (below) for a general explanation of this term);
- › proposals meeting the required standard of merit; and
- › the Total Funding Allocation.

47. HOW ARE PROPOSALS ASSESSED BASED ON A 'PORTFOLIO APPROACH'?

Part 3 of the Guidelines proposes that a portfolio approach could be applied when offering funding under the Program. An otherwise meritorious or higher ranked project may not be elected to be funded if the aims or outcomes of that project are the same as, or similar to, the aims and outcomes of a project that is intended to be funded through the Program or has previously been funded by ARENA or other relevant funders.

48. WILL EXTERNAL DUE DILIGENCE BE UNDERTAKEN ON PROPOSALS?

ARENA may seek to engage external due diligence advisors at any stage of the Program. These advisors will also be subject to confidentiality.

49. ARE ALL THE MERIT CRITERIA EQUALLY WEIGHTED?

As noted in Part 5 of the Guidelines, all Merit Criteria are equally weighted.

50. WILL THE PROJECT REQUIRING THE LEAST SUBSIDY WIN?

Merit Criterion D considers the Project's value for money, financial ability of the Applicant and any Project Partners to deliver the Project and the level of cost certainty over total Project costs. Assessment of this Merit Criterion includes consideration of the amount of the proposed Production Credit, the total funding request for the Project and justification for this request, and the cost competitiveness and efficiency of the Project (including the ARENA funding requested per MW of electrolysis capacity amongst other metrics).

As noted within Part 5 of the Guidelines, all Merit Criteria are equally weighted. Therefore, although cost competitiveness is a consideration of the merit assessment, factors such as the alignment with the Program Objectives, capability and credibility of the Applicant and consortium, scope and deliverability of the Project, social licence and community engagement and commitment to knowledge sharing are equally as important in the assessment of a Project.

51. HOW WILL HYDROGEN VS AMMONIA VS METHANOL VS OTHER DERIVATIVE PROJECTS BE COMPARED?

All end uses of renewable hydrogen are eligible under the Program. Applicants are requested to nominate the requested value of the Production Credit in terms of the appropriate derivative, with the Production Credit notionally bridging the ultimate offtake price and all costs of production and conversion to reach the final state required for sale under offtake agreements. Applicants are also requested to convert this into a \$/kg of renewable hydrogen, to allow comparison against other Projects.

52. HOW WILL WATER AVAILABILITY, COMMUNITY ENGAGEMENT AND CONSULTATION BE CONSIDERED?

These factors are considered in the assessment of applications against Merit Criterion C. The information expected to be provided by applicants to allow assessment is noted in Appendix B of the Guidelines.

53. HOW SHOULD FIRST NATIONS COMMUNITIES BE CONSULTED? WHAT LEVEL OF ENGAGEMENT WITH FIRST NATIONS DOES THE GOVERNMENT EXPECT TO SEE IN THESE PROJECTS?

Assessment against Merit Criterion A considers the potential for the Project to provide benefit to the broader economy and community beyond the economic return to the Project, including employment opportunities, business for local suppliers and First Nations employment opportunities.

Assessment against Merit Criterion C considers the extent to which the project has taken into consideration cultural heritage and engaged with First Nations communities, including in decision making for the project. This includes specific objectives related to First Nations participation, procurement plans and employment opportunities that reflect the First Nations population in the region of the Project, and the proposed ongoing engagement and benefit sharing, including positive economic benefits, financial returns or ownership models.

Applicants should also refer to Appendix B of the Guidelines for further detail on the information expected at each stage of the Program.

54. WILL PROJECTS THAT SUPPORT DEVELOPMENT OF LOCAL SUPPLY CHAINS OR USE LOCALLY MANUFACTURED EQUIPMENT BE ASSESSED OF HIGHER MERIT?

Assessment against Merit Criterion C considers the extent to which the Project uses local supply chains, including sourcing of domestically manufactured equipment or domestically supplied services to deliver the Project or supports the establishment of new manufacturing capability. Use of local supply chains may therefore support a higher assessment of merit relative to this criterion, however, the overall merit of the application will be determined based on the equally weighted assessment against all Merit Criteria.

55. WHAT STAGE DOES MY PROJECT NEED TO BE AT TO SUBMIT AN EOI? IS IT EXPECTED THAT PROJECTS WILL HAVE COMPLETED FEASIBILITY STUDIES / FEED?

Appendix B of the Guidelines notes that a completed feasibility study for the Project is required as a Key Attachment to the EOI application. The assessment of merit against Merit Criterion C will also include assessment of the level of technical definition, current development work completed to date and pathway to complete the front-end engineering and design (FEED) phase including process flow diagrams, utility flow diagrams, preliminary piping and instrument diagrams, plot plan, developed layout drawings and engineered process and utility equipment lists.

56. WHAT EVIDENCE OF OFFTAKE DO YOU EXPECT AT THE EOI STAGE?

Appendix B of the Guidelines notes that an MOU or term sheet for third party offtake should be provided as part of the EOI application (or in the case of self-consumption, applicants should provide comprehensive detail on the use case for the hydrogen).

57. ARE PROJECTS ABLE TO ACCESS OTHER CONCESSIONAL FUNDING AND, IF SO, HOW WILL THIS BE ASSESSED?

Merit Criterion D requires other sources of concessional funding either intended to be secured or already secured to be noted within the application. However, there is no restriction on a Project's ability to access other concessional funding, including state or territory government funding, exemptions from transmission charges or international funding (including subsidies for the purchase of hydrogen or derivative production).

As demonstrated across the Merit Criteria, the Program considers both the cost competitiveness and deliverability of Projects. The cost competitiveness and efficiency of the Project would consider all forms of concessional funding in the calculation of competitive metrics and the ultimate assessment will ensure that the project only receives the total level of subsidy (considering all sources) that is required to allow the Project to proceed.

58. SHOULD THE PROJECT BUDGET AND FINANCIAL MODELS INCLUDE RISK CONTINGENCY COMPONENTS OR SHOULD THEY BE REMOVED FROM THE CAPITAL ESTIMATE?

Assessment against Merit Criterion D considers the risk of cost overruns and the financial strength and capability of the Applicant and/or Applicant's consortium to deliver a large-scale hydrogen Project, including the ability to contribute required equity to the Project and capacity to manage cost overruns.

Appendix B of the Guidelines notes that an AACE Class 4 level estimate of Project costs should be provided. This estimate will incorporate an appropriate level of contingency. Applicants are recommended to clearly note where contingency has been applied within the capital estimate and note the amount of contingency applied.

59. WILL ALL DELIVERABLES LISTED IN THE KNOWLEDGE SHARING PLAN BE DISSEMINATED PUBLICLY?

ARENA intends to publish the project's Knowledge Sharing Plan deliverables publicly unless specified as Recipient Confidential Information in the Knowledge Sharing Plan. The Knowledge Sharing deliverables should be prepared considering the stakeholders as set out in the Audience column in the Knowledge Sharing Plan.

Applicants should refer to the Guidelines for guidance around demonstrating high merit against Merit Criterion E (Knowledge sharing).

COMPETITIVE ROUND TIMELINE

60. WILL EXTENSIONS TO THE EOI DUE DATE BE GRANTED?

Given the Program is being run as a Competitive Process, extensions to the EOI Due Date are not expected to be granted by ARENA except in exceptional circumstances and at ARENA's sole discretion.

61. WHAT IS THE TIMEFRAME FOR RECEIVING THE OUTCOME OF MY APPLICATION?

The timeline for providing an outcome on EOI applications is provided in Part 4 of the Guidelines.

62. WHEN ARE PROJECTS REQUIRED TO BE OPERATIONAL?

There is no requirement for when projects would need to be operational. However, in line with Merit Criterion C, Projects that have a proposed (and verifiable) financial close and commissioning timetable that aligns with the commencement of funding availability under the Program may be assessed as being of higher merit than Projects with later commencement dates and timelines.

Further, Part 8 of the Guidelines proposes that upon award of funding, projects would be required to agree to a development timeline and provide frequent updates on progress relative to the development timeline, with ARENA reserving the right to terminate funding should the Project cease development or should progress relative to the development timeline be materially delayed (as agreed between the parties, acting reasonably and with consideration of whether reasonable efforts to meet the development timeline have been made).

Funding under the Program will be available for selected Projects from the date agreed with ARENA and documented within the Funding Agreement and for the term agreed with ARENA (expected to be 10 years). Should Projects not reach operations by an agreed sunset date, the end date of the support period may not be amended and therefore the delayed Project may not be able to access the full agreed term of funding.

Further information is available at:
arena.gov.au/funding/hydrogen-headstart/

Or by emailing:
hydrogenheadstart@arena.gov.au

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Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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