



HYDROGEN HEADSTART

GUIDELINES
OCTOBER 2023



Australian Government
Australian Renewable
Energy Agency

ARENA

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PART 1. OVERVIEW AND OBJECTIVES

OVERVIEW

In May 2023, the Australian Government announced it would invest up to \$2 billion in the new Hydrogen Headstart Program (the **Program**) to fund large-scale hydrogen production projects (**Projects**) to accelerate 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 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.

These Program guidelines (**Guidelines**) have been developed based on the consultation, industry feedback and alignment to the policy objectives.

PURPOSE AND INTERPRETATION OF THESE GUIDELINES

The purpose of these Guidelines is to provide procedures and requirements for Applicants seeking funding through the Program. These Guidelines detail the competitive process (**Competitive Round**) that will be used by ARENA to select large Australian-based projects producing either hydrogen or derivative products made from hydrogen produced from renewable energy in order to achieve the Program Objectives outlined below.

In these Guidelines, the ordinary meaning of a word applies considering its context in the Guidelines and the purpose of these Guidelines (unless defined in the Glossary at the end of the Guidelines).

In the event of any inconsistency between other ARENA or DCCEEW materials and these Guidelines, the Guidelines will prevail to the extent of the inconsistency.

The Guidelines should be read in conjunction with the Hydrogen Headstart Program Frequently Asked Questions and any additional documentation published on the Program webpage at arena.gov.au/funding/hydrogen-headstart/.

COMMENCEMENT AND AUTHORITY FOR GUIDELINES

The Guidelines have been approved by the ARENA Board and by the Minister for Climate Change and Energy (the **Minister**) in accordance with the *Australian Renewable Energy Agency Act 2011* (Cth) (**ARENA Act**) and commence on Tuesday, 10 October 2023.

The Guidelines may be revoked or varied by ARENA from time to time. Without limiting its other rights, ARENA may, in its absolute discretion:

- › suspend, defer or terminate the Program at any time;
- › amend the Program Objectives to either include or exclude certain requirements;
- › amend the Guidelines following the Expression of Interest stage to ensure the Program is fit for purpose and as required throughout the duration of the Program; or
- › amend assessment timeframes at any time.

The ARENA Board is responsible for approving financial assistance under the Program and may delegate this responsibility in accordance with the ARENA Act. In accordance with the ARENA Act, any funding provided by ARENA to a project that is greater than \$50 million requires Ministerial approval. Given the scale of the Program, ARENA anticipates that Projects will require funding in excess of this threshold, and as such, Ministerial approval will likely be required for each Project under the Program.

PROGRAM OBJECTIVES

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.

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.

FUNDING ALLOCATION

The total funding allocated for the Program is up to \$2 billion (the **Total Funding Allocation**). Through the Competitive Round, ARENA intends to provide grant funding to a small number of Projects. ARENA may allocate less than the Total Funding Allocation at its discretion, including where there are an insufficient number of eligible, high merit Projects.

FUNDING MODEL

- › **Form of funding:** All funding provided through the Program will be in the form of a Grant or other form of financial assistance specified by the Minister in accordance with the ARENA Act. The Grant will only be provided in the form of a Production Credit, paid per unit of eligible hydrogen or hydrogen derivative production.
- › **Sizing of funding:** The value of the Production Credit requested will be specified by the Applicant based on the commercial gap between the cost of hydrogen produced using renewable energy (including a justifiable return on capital) and the sales price of that hydrogen or its derivative products. Principles for sizing of the Production Credit are noted in Appendix A. ARENA will endeavour to provide the minimum amount of funding to allow the Project to proceed.
- › **Timing of payment:** Funding is proposed to be paid quarterly in arrears, with funding available from the 2026-27 financial year, subject to the Recipient meeting all requirements within the terms and conditions of funding. Funding will be provided for a maximum of 10 years (**Funding Period**) from the date of commissioning, which will be subject to an agreed sunset date.
- › **Reduction or recovery of funding:** Under certain circumstances, funding may be reduced or recovered by ARENA. The principles for a reduction or recovery of funding are noted in Appendix A, with final terms to be agreed by ARENA and Recipients.

PART 2. ELIGIBILITY CRITERIA

All of the following Eligibility Criteria must be met by an Applicant.

CRITERION	CRITERIA NAME	CRITERIA
Eligibility Criterion A	Eligible Applicant	<p>The Applicant must:</p> <ul style="list-style-type: none"> › be a State or Territory of Australia (including non-corporate State or Territory entities and statutory authorities); or › be either: <ul style="list-style-type: none"> ◦ an Australian entity incorporated under the <i>Corporations Act 2001</i> (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).
Eligibility Criterion B	Eligible Project	<p>The Applicant must be able to demonstrate to the satisfaction of ARENA that the Project described in the application meets the following criteria:</p> <p>Facility</p> <ul style="list-style-type: none"> › Must be a new deployment of a hydrogen production facility producing hydrogen from electrolysis. Deployment may utilise existing energy generation or other downstream infrastructure. › The Project may include hydrogen storage, transport and conversion facilities which may be located at the same site or in other geographic locations. <p>Renewable energy</p> <ul style="list-style-type: none"> › The entire hydrogen production process (including balance of plant) must be from electrolysis and be 100% 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 (GO) Scheme, that were created within 12 months of hydrogen production. The RECs can be sourced through PPAs, or other arrangements. › 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 Competitive Round. › Please note that the Program is focused on scale of renewable hydrogen production. 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 <i>Renewable Energy (Electricity) Act 2000</i> (Cth) and Division 2.2 of the <i>Renewable Energy (Electricity) Regulations 2001</i> (Cth) and that the Project can deliver the minimum scale proposed under the Program. › The Applicant will also need to demonstrate how it intends to comply with the proposed GO Scheme (currently under development) to verify the carbon intensity of production and ensure alignment with the above parameters. <p>End use</p> <ul style="list-style-type: none"> › All end uses of hydrogen or hydrogen derivative products are eligible including where the product is exported. <p>Facility size</p> <ul style="list-style-type: none"> › 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 via pipeline or otherwise, will be considered as a single site deployment. However, distributed production across multiple geographically diverse sites (for example, 5 x 10MW production facilities along a refuelling highway) are not eligible.
Eligibility Criterion C	Take place in Australia	<p>The Applicant must demonstrate to the satisfaction of ARENA that the hydrogen production will take place in Australia. As outlined above, all end uses of hydrogen are eligible including where the product is exported.</p>

CRITERION	CRITERIA NAME	CRITERIA
Eligibility Criterion D	Intellectual Property	The Applicant must warrant it has ownership of, access to, or the beneficial use of, any intellectual property rights, including moral rights, (IP) necessary to carry out the Project. ARENA's IP requirements will be reflected in the finalised Funding Agreement.
Eligibility Criterion E	Workplace Gender Equality	<p>The Applicant, and its Related Bodies Corporate, must not be named as an organisation that has not complied with the <i>Workplace Gender Equality Act 2012</i> (Cth) (Workplace Gender Equality Act). Any Applicant so named will be excluded from further consideration.</p> <p>The Applicant must make a declaration in the application form to demonstrate that they understand and meet their obligations, if any, under the Gender Equality Act. ARENA will check Applicants' names against the list of non-compliant organisations on the website of the Workplace Gender Equality Agency at wgea.gov.au.</p>
Eligibility Criterion F	Modern Slavery	<p>The Australian Government is taking a global leadership role in combating modern slavery through its landmark <i>Modern Slavery Act 2018</i> (Cth) (Modern Slavery Act).</p> <p>The Applicant must agree that it will:</p> <ul style="list-style-type: none"> › take reasonable steps to identify, assess and address risks of modern slavery practices in the operations and supply chains used in delivering the Project; › if applicable, comply with its obligations under the Modern Slavery Act; and › assist ARENA to comply with its obligations under the Modern Slavery Act. <p>The Applicant must make a declaration in the application form that it, and its Related Bodies Corporate, will meet these requirements in relation to the Modern Slavery Act.</p>
Eligibility Criterion G	Knowledge Sharing	The Applicant must agree to publicly share sufficient knowledge and information about, and resulting from, the Project as specified in a Knowledge Sharing Plan that will form part of the Funding Agreement.
Eligibility Criterion H	Other Requirements	<p>The Applicant must disclose whether there are any legal proceedings or investigations (including litigation, arbitration, mediation or conciliation) that to the best of its knowledge, after having made proper enquiry, are taking place, pending or threatened against it or a Related Body Corporate.</p> <p>ARENA requires that the Applicant warrants that:</p> <ol style="list-style-type: none"> a. the Applicant, its Related Bodies Corporate, and their Personnel, has not contravened any Australian Sanctions Laws; and b. it will comply and ensure that any Related Bodies Corporate, comply with Australian Sanctions Laws in delivering the Project and undertake reasonable endeavours to ensure compliance by any of the Applicant's subcontractors to the Project. <p>Australian Sanction Laws means the <i>Charter of the United Nations Act 1945</i> (Cth) and the <i>Autonomous Sanctions Act 2011</i> (Cth) including the <i>Autonomous Sanctions Regulations 2011</i> (Cth). The list and more information on sanctions and the anti-terrorism requirements are available at https://dfat.gov.au/international-relations/security/sanctions/consolidated-list.</p> <p>An Applicant, or its Related Body Corporate, must not be an organisation included on the National Redress Scheme's list of institutions that have not joined or signified their intent to join the National Redress Scheme. The list and more information is available at https://www.nationalredress.gov.au/institutions/institutions-have-not-yet-joined.</p> <p>The Applicant must make a declaration in the application form that it will meet these requirements.</p>

PART 3. APPLICATION AND ASSESSMENT PROCESS

OVERVIEW

The application and assessment process for the Program involves a two-stage application process, with an Expression of Interest (EOI) and a Full Application.

SUBMITTING AN APPLICATION

All applications must be submitted online using ARENA's Grants Management System, ARENANet, or as otherwise directed by ARENA. ARENANet is accessible from the Program website arena.gov.au/funding/hydrogen-headstart/.

The online application system prescribed by ARENA may include a mix of mandatory fields, optional fields (including free text fields) and require attachments to be provided by the Applicant.

It is expected that Applicants will attach a Project plan to their application. The Project plan document summarises the details of the Project and should include the content noted in Appendix B. Appendix B notes the application information requirements for both the EOI and Full Application stages, including any documents required to be attached to the application (noting Full Application requirements are subject to change following the EOI stage).

Word limits may apply at various fields when completing the online application. Word and page limits may also apply to requested responses and attachments that accompany an application. ARENA may, acting in its sole discretion, elect not to read or take into account words beyond the specified word limit or any attached document beyond the last page of the specified page limit.

Applicants should ensure they have completed each section of the online application form, including mandatory attachments.

If the application does not include the information required (and in the format set out in ARENA's prescribed online application system) ARENA may, acting in its sole discretion, decline to assess the application or seek supplementary information or clarification from the Applicant.

EXPRESSION OF INTEREST

The Applicant's EOI must be submitted by the EOI Due Date, which may be amended at ARENA's discretion. Refer to Part 4 for the Competitive Round timetable.

EOIs must include the information set out in Appendix B. EOIs must clearly address each of the Competitive Round Merit Criteria provided in Part 5 of the Guidelines. EOIs will be assessed against the Competitive Round Merit Criteria and rank ordered against all other eligible EOIs received. Each merit criterion has equal weight in the assessment process.

Only applications that are assessed as being of overall high merit against the Competitive Round Merit Criteria at EOI stage will be invited to submit a Full Application.

EOIs must be submitted via ARENANet 'Hydrogen Headstart - Expression of Interest' by no later than 5 pm (AEDT) on the EOI Due Date. ARENA reserves the right to accept EOIs submitted after the EOI Due Date in exceptional circumstances at its sole discretion.

Assessment of EOIs will be undertaken in line with the process described below, with outcomes notified in line with the timeline noted in Part 4 of these Guidelines.

FULL APPLICATION

Following the assessment of the EOIs, ARENA will issue an outcome letter to Applicants invited to the Full Application stage that contains further instructions and guidance on this stage. The letter will include details to confirm information requirements, due date for Full Applications and how ARENA intends to work with Applicants during the Full Application stage.

A Full Application will only be accepted from Applicants invited by ARENA to submit a Full Application following the assessment of EOIs. ARENA retains the right to amend the Guidelines of the Program following the EOI stage. Full Applications should include the information specified in Appendix B, or as updated by ARENA.

Full Applications must clearly address each of the Competitive Round Merit Criteria provided in Part 5 of the Guidelines. Full Applications will be assessed against the Competitive Round Merit Criteria and rank ordered against all other Full Applications received. Each merit criterion has equal weight in the assessment process.

Only Applications that are assessed as being of overall high merit against the Competitive Round Merit Criteria at Full Application stage will be considered for funding (**High Merit Projects**).

The highest ranked High Merit Projects will be recommended for funding approval subject to the Total Funding Allocation available and the portfolio approach described below.

ASSESSMENT PROCESS

ARENA will assess the eligibility of Applicants and their applications against the Eligibility Criteria set out in Part 2 of these Guidelines. Applications that do not meet all Eligibility Criteria will be considered ineligible and will not be assessed. In addition, applications that ARENA considers to be of obvious low merit against one or more Merit Criteria may not proceed to assessment by the ARENA Advisory Panel and may be excluded from further consideration.

Eligible applications (except those considered by ARENA to be of obvious low merit) will be assessed against the Merit Criteria set out in Part 5 of these Guidelines. ARENA may seek advice on the merit of an application from the ARENA Advisory Panel. Information on the members of the ARENA Advisory Panel is available on the ARENA website at arena.gov.au/about/advisory-panel.

ARENA may also engage technical, legal, commercial, or other specialist advisors to provide due diligence services and assist with the assessment of applications.

ARENA may, at any time during the application process:

- › seek further information and clarification from the Applicant in relation to any matter arising from the assessment of the EOI or Full Application.
- › if the Applicant does not provide the specified information, in the format set out in ARENA's online application system ARENANet or on the Program's webpage on ARENA's website arena.gov.au/funding/hydrogen-headstart/, ARENA may seek supplementary information or clarification from the Applicant or decline to assess the application.
- › undertake due diligence activities and may also modify the due diligence activities it proposes to undertake. Due diligence activities may include, but are not limited to:
 - commissioning or completing relevant research, analysis and modelling to support assessment of applications including engagement of Consultants or advisors for this purpose; and
 - contacting any relevant Commonwealth, State, Territory, local or municipal and international government agencies, Project Partners or other relevant parties about an application.

Eligible Applicants may be asked to give a short presentation on their Project to the ARENA Advisory Panel and ARENA Executive. This may include answering questions relating to their application. The inclusion of Applicants at the Advisory Panel meeting will be determined at ARENA's sole discretion.

Following assessment, only Full Applications that meet all Eligibility Criteria, and that satisfy the Merit Criteria with a high level of merit, will be deemed High Merit Projects. Only High Merit Projects will be considered for a potential award of funding by ARENA. ARENA may:

- › consider a Full Application to be not of high merit and therefore not offer funding to the Applicant;
- › choose not to offer funding to an otherwise meritorious Project, including a High Merit Project, if the aims or outcomes of that Project are the same, or similar to, the aims and outcomes of a Project that has previously been funded (either by ARENA or alternative investors) or that ARENA is intending to fund through the Program;

- › negotiate with Applicants to modify their Full Application prior to finalising its assessment; or
- › offer funding for the Project and invite successful Applicants to negotiate a Funding Agreement with ARENA.

The decision on whether funding will be offered to an Applicant under this Program will be final and ARENA may stipulate conditions to the offer of funding.

ARENA will advise the Applicant in writing of the outcome of the assessment of their application, including the amount and nature of any funding support to be offered by ARENA and any conditions attached to the funding offer. A funding offer under the Program may be for less than the amount of funding requested by the Applicant. A funding offer may exclude elements of a Project submitted by an Applicant or include additional elements to the Project as requested by ARENA.

All Applicants may request feedback from ARENA on their application at the conclusion of the assessment process when they are notified of the outcome of their application. Feedback will be provided in a form determined suitable by ARENA.

PORTFOLIO APPROACH

ARENA may take a portfolio approach to deciding which Projects will be awarded funding. This means that ARENA will consider how a Project will contribute to the Program Objectives either uniquely or as part of a suite of complementary ARENA activities.

ARENA may choose not to fund an otherwise High Merit Project if the aims or outcomes of that Project are the same, or similar to, the aims and outcomes of another Project that has previously been funded (either by ARENA or alternative investors) or that ARENA is intending to fund through the Program.

MATERIAL CHANGE

ARENA expects that Applicants will not make material changes to Projects between the EOI and Full Application stages, particularly to Project size and location. However, ARENA understands that the hydrogen industry remains at an early stage and, as such, applications may change between the EOI and Full Application stages as capital costs, electricity supply and offtake arrangements and other key Project parameters are firmed.

To ensure consistent applications at both the EOI and Full Application stages, and to ensure fairness in the assessment, ARENA reserves the right to not assess Full Applications where it considers that a material change to the Project from EOI has occurred.

ARENA will determine, at its discretion, whether any such change is material in nature. In assessing whether a material change has occurred, ARENA may consider key Project elements such as the Project scale, intended use and outcomes of the Project, size of ARENA funding request, key counterparties, Project location and other such factors. ARENA may, at its sole discretion, request Applicants provide further information regarding any changes to the Project between the EOI and the Full Application stages.

Similarly, no material change to the Project should occur between the Full Application and Financial Close. ARENA will determine, at its sole discretion, whether any such change is material in nature. In the event that a material change occurs, ARENA reserves the right to withdraw or reduce its offer of funding if it considers that the change does not support the Program Objectives. ARENA may also accept the change and/or increase its offer of funding if it considers, in its absolute discretion, that the change supports the Program Objectives.

APPLICANT Q&A PROCESS

Throughout the Competitive Round, a Q&A process will be undertaken to respond to Applicant queries on applications and assessment. Queries can be emailed to hydrogenheadstart@arena.gov.au. Responses for commonly asked questions will be published on the Program website arena.gov.au/funding/hydrogen-headstart/.

COLLABORATION

ARENA does not intend to assist Applicants to prepare a submission at the EOI stage other than by answering queries in relation to the Guidelines and submission process as outlined above. However, ARENA may, at any time during the EOI stage seek further information from the Applicant in relation to any matter arising from the assessment of the EOI and ARENA may seek supplementary information or clarification from the Applicant.

Following the EOI stage, ARENA may, in its discretion, elect to work with Applicants and/or facilitate collaboration between any Applicants with similar or complementary applications or between Applicants and other organisations or funding bodies, to develop consortia to finance and/or carry out Projects. Any such facilitation of collaboration, including the release of confidential information to another Applicant or person, will be subject to the Applicant's prior consent.

Any such facilitation is provided strictly on a without prejudice basis and does not constitute any commitment by ARENA that it will offer funding for the collaborative Project or any other Project. When facilitating collaboration, ARENA is not responsible or liable for any comments, consultation or assistance provided by ARENA.

ARENA may issue Applicants with a communication schedule that will outline a framework within which ARENA will communicate with Applicants as part of the Full Application stage. This will include an option for ARENA to hold due diligence meetings with Applicants during the Full Application stage.

ARENA may, at its discretion, request due diligence meetings with parties connected to a Full Application, which may include, but is not limited to, financiers, electricity providers, offtakers, advisors and/or equipment suppliers. Failure to comply with due diligence requests may impact ARENA's ability to adequately assess a Project against the Merit Criteria.

When working with Applicants at the Full Application stage, ARENA's involvement may include, but not be limited to:

- › Providing detailed guidance on the preparation of financial and/or technical evidence relevant to the Project.
- › Helping to develop a Knowledge Sharing Plan.

PUBLICATION OF INFORMATION

ARENA may publish aggregated and non-identifiable data from the applications received at the conclusion of the EOI and Full Application stages of the Competitive Round to provide a high level of transparency to stakeholders on the range of applications received. This may include key technical, financial and commercial metrics of Projects, as well as emissions reduction, workforce and social data.

For Projects that are invited to the Full Application stage and Projects that receive an offer of funding, ARENA may also publish the name of applications, Applicants and the public Project description provided in the ARENANet application form.

PART 4. TIMELINE

PROPOSED TIMELINE

The timetable for the Competitive Round is presented in the table below.

APPLICATION STAGE 1 (EOI)	
EOI Open Date	Tuesday, 10 October 2023
EOI Due Date and Time	Friday, 10 November 2023, at 5 pm AEDT
APPLICATION STAGE 2 (FULL APPLICATION)	
Applicants notified of EOI outcome	January 2024 Assessment of EOIs and notification to applicants within approximately 45 business days of EOI Due Date
Full Application Due Date	June/July 2024 This date is subject to change and ARENA will confirm to those Applicants invited to submit a Full Application following EOI stage.
Decision Outcome	October 2024 This date is subject to change.
IMPLEMENTATION	
Financial Close and Commissioning Date	Funding will become available in the 2026-27 financial year, and, as a result, Projects that have a proposed financial close and commissioning timetable that aligns with this may be assessed as being of higher merit than Projects with later commencement dates and timelines. The timetable should be developed to provide the expected timing of key development events supported with firm internal and external evidence.
Knowledge sharing reporting period	Extends to the payment of the final Production Credit subsidy (or maximum of 10 years from start of operations).

Other than in exceptional circumstances as determined by ARENA, ARENA will not accept an EOI or Full Application submitted after the relevant Due Dates and Times.

The above dates represent the current timetable for the Competitive Round. ARENA retains the right to amend proposed timelines and stages or alter any element of the Competitive Round at its discretion. If ARENA, at its discretion, deems it beneficial to achieving the Program Objectives, ARENA may extend or change the timetable for the Competitive Round. Any amendments to the Competitive Round timetable will be published on the Program website arena.gov.au/funding/hydrogen-headstart/.

PART 5. MERIT CRITERIA

This section sets out the Merit Criteria for EOI and Full Application stages.

Eligible Applications will be assessed for overall value for money and risk against the Merit Criteria. The Merit Criteria are equally weighted.

This section provides non-exhaustive guidance on how Applicants can demonstrate merit against each criterion. Appendix B provides greater detail on the expected level of Project development and detail and supporting evidence to be included in an application at EOI and Full Application stage.

MERIT CRITERION A - CONTRIBUTION TO THE PROGRAM OBJECTIVES

The extent to which the Project will contribute to the Program Objectives.

OVERVIEW

This Merit Criterion assesses the extent to which the Project will contribute to the Program Objectives set out in Part 1. This Merit Criterion also assesses the value of knowledge generated by the Project in contributing to the Program Objectives.

Assessment of this Merit Criterion includes consideration of the following:

- › the extent of the Project's contribution to one or more of the Program Objectives 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.
- › in addition to the Project's contribution to the Program Objectives above, the following will also be considered:
 - 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.
 - the potential for the Project and its application to be replicated and/or provide a clear path for further cost reduction of renewable hydrogen production over a specified timeframe and production volumes.
 - the potential of the Project to lead to further decarbonisation, manufacturing or value add opportunities in Australia or international export opportunities.

DEMONSTRATING MERIT AGAINST THIS CRITERION

Applicants can demonstrate merit by describing and showing evidence of how the Project addresses the considerations listed above.

MERIT CRITERION B - APPLICANT CAPABILITY AND CAPACITY OVERVIEW

The capability and capacity of the Applicant to deliver the Project.

OVERVIEW

This Merit Criterion focuses on the extent to which the application demonstrates that the Applicant and its Project Partners have the capability and capacity to deliver the Project.

Assessment of this Merit Criterion includes consideration of the following:

- › the demonstrated level of experience and expertise of the Applicant and/or Applicant's consortium (including major equipment suppliers and Engineering, Procurement and Construction (EPC) contractors) including where members of the consortium have successfully delivered hydrogen projects or other projects of a similar nature, scale or value in Australia or internationally.
- › the appropriateness of the proposed allocation of roles and responsibilities between the Applicant, the Applicant's consortium, and Project Partners (including but not limited to major equipment suppliers, EPC contractors, advisors and commercial partners).
- › what and how proposed resources (e.g. physical resources and facilities, equipment, technical staff, project managers, contract managers, legal etc.) will be made available for the duration of the Project to ensure the proposed Project is delivered on time and within budget.
- › the quality and completeness of Project documentation and agreements provided (such as procurement processes, timelines and participation agreements), as well as the extent to which these provide evidence of the Applicant and its consortium's capability and readiness to implement the Project.
- › the alignment of the Project with the Applicant's broader hydrogen strategy.
- › the alignment with and ambition of the Applicant's broader decarbonisation plans.

DEMONSTRATING MERIT AGAINST THIS CRITERION

Applicants can demonstrate merit by describing and showing evidence of:

- › capability to deliver the Project addressing the considerations above, including:
 - management, commercial, professional and technical expertise, and that of key personnel and Project Partners;
 - track record, and that of any Project Partners and personnel, in delivering outcomes from similar projects on time and on budget; and
 - professional excellence and experience, as well as that of Project Partners, including any relevant accreditations, quality standards and benchmarks; and
- › capacity to deliver the Project addressing the considerations above, including:
 - the resources, including personnel, physical resources and facilities, that will be used to deliver the Project including confirmation that they will be available at the times necessary during the Project to successfully achieve the proposed outcomes; and
 - the nature and status of any agreements between the Applicant and Project Partners.

MERIT CRITERION C - PROJECT DESIGN AND METHODOLOGY OVERVIEW

The strength of the Project design, in terms of meeting the proposed objectives within the timeframe and budget set out in the application.

OVERVIEW

The purpose of this Merit Criterion is to assess how well the Applicant has designed and planned the Project, in order to successfully deliver the Project within the timeframe and budget set out in the application.

Assessment of this Merit Criterion includes consideration of the following:

- › a well-articulated Project plan for the Project, including how well designed and planned the Project is, including whether it has clearly defined objectives and methodology, as well as approach to identifying, managing and reporting the personnel, delivery, technical and financial risks of the Project.
- › the relative status of key Project workstreams (such as supplier agreements, grid augmentation, any necessary permits or approvals) and readiness of the Project to be delivered.
- › the extent to which First Nations communities have been, and will continue to be, engaged or involved with the negotiations, decision making and benefit sharing of the Project.
- › the credibility of the plan to move the key Project workstreams (described above) through to Project completion within the proposed Project timeline.
- › project risk in terms of the likely success of the Project and the achievement of intended outcomes that align with the Program Objectives.
- › compliance with any other requirements outlined in Part 8 and Part 9 of the Guidelines.

This Merit Criterion also assesses Project risks (including WHS risks) not identified in the assessment of the other Merit Criteria and the steps the Applicant proposes to take to mitigate any such risks. Project risk is also assessed in terms of the likely success of the Project and the achievement of stated outcomes.

ARENA will provide a draft Term Sheet at the Full Application stage. A response to the draft Term Sheet will be required at the Full Application Stage. Applicants should be aware that low compliance with the draft Term Sheet may impact on ARENA's assessment of Project risk. Strong compliance with the draft Term Sheet will generally increase the merit of a Project.

DEMONSTRATING MERIT AGAINST THIS CRITERION

Applicants can demonstrate merit by describing and showing evidence of:

- › **Project plan:** the quality and completeness of the Project plan, including the level of Project definition, the source of renewable energy and the hydrogen use case or offtake agreement (where relevant).
- › **Technical definition:** the level of Project 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.
- › **Project timeline:** the completeness of the Project timeline and the timing of Project development and delivery up to and including the point of commissioning. The timetable should include expected timing of:
 - total Project cost moving to more definitive confidence levels (e.g. from +/- 30% to +/- 5%)
 - key technical design milestones
 - key commercial and financial milestones
 - other key activities
 - the Applicant's internal investment decision making process (including interim and final approvals)
 - overlay of Competitive Round timetable
 - financial close for the Project
 - commissioning for the Project.
- › **Timeliness of financial close and commissioning:** Funding will become available in the 2026-27 financial year. Projects that have a proposed financial close and commissioning timetable that aligns with this may be assessed as being of higher merit than Projects with later commencement dates and timetables. The timetable should be developed to provide an expected timing of key development events supported with firm internal and external evidence.
- › **Renewable energy:** the level of detail regarding the plan for supply of renewable electricity to the Project, including detail on any relevant power purchase or grid connection agreements, or details of the stage of development of behind the meter renewables. For grid connected projects, consideration of the impact of the Project on the electricity grid, and the capacity for the project to provide demand response services, frequency control ancillary services, or other grid benefits.
- › **Engagement with community:** the extent to which the Project has engaged with the community and the ongoing plan to continue community consultation and engagement.
- › **Engagement, consultation and benefits sharing with First Nations Communities:** 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.
- › **Water access:** the level of detail regarding management of water source for the Project including detail on the proposed source of water, water consumption, water quality and access and the environmental impact of the proposed water source.
- › **Risk management:** the quality of the risk management plan (including hazard and operability analysis, supply chain risk, EPC constraints, price pressure, availability of specialist advisors, workplace health and safety, safety management plan and (where relevant) modern slavery) and the extent to which key risks have been identified and mitigated in Project contracts and the financial model.
- › **Access to land and permitting:** the identification and consideration of securing the proposed site and all required permits (including environmental and planning), licenses, approvals and consents for the Project.
- › **Compliance with draft Term Sheet:** the extent to which the Applicant accepts the terms of the draft

Term Sheet at the Full Application stage.

- › **Compliance with other requirements:** the Applicant's compliance with any other requirements outlined in the Guidelines.
- › **Local jobs and opportunities:** the extent to which the Project will create and maintain jobs and provide skills and training opportunities for young people, apprentices, Aboriginal and Torres Strait Islander individuals and people with disability.
- › **Local supply chains:** 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.
- › **Workplace gender equality:** the extent to which the Project supports workplace gender equality including specific numerical targets, indicators, progress and actions to be undertaken during the Project.
- › **Water and social infrastructure development:** the extent to which the Project supports development of utility (for example water) and social infrastructure (for example community facilities).
- › **Supports development of domestic demand for renewable hydrogen:** the extent to which the Project will support the development of domestic demand for renewable hydrogen (or its derivative products).

MERIT CRITERION D - FINANCIAL VIABILITY AND CO-FUNDING COMMITMENT OVERVIEW

The financial viability of the Project, including the level of co-investment and evidence of commitment, both cash and in-kind, to the Project.

OVERVIEW

This Merit Criterion assesses 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 following:

- › the amount of the proposed Production Credit, expressed in the format outlined in Appendix A.
- › the total funding request for a Project, and the justification for the amount of funding requested.
- › the cost competitiveness and efficiency of the Project with reference to the following:
 - the implied cost per kilogram of hydrogen (and hydrogen derivative product where applicable) delivered over the contract term (including capital and operating costs) excluding any concessional funding
 - MWh / tonne of hydrogen delivered over contract term
 - ARENA funding \$ / MW of electrolysis capacity installed
 - ARENA funding \$ / tonne of CO₂e abated
 - ARENA funding \$ / kg of hydrogen delivered or \$ / tonne of hydrogen derivative product such as ammonia or methanol (i.e. value of Production Credit) over contract term (maximum 10 years)
- › deliverability of the financing plan.
- › level of conditionality of the funding commitments for equity and debt, including assessment of the bankability of major Project contracts.
- › level of conditionality of the electricity supply arrangements.
- › level of conditionality and bankability of EPC and OEM arrangements.
- › creditworthiness of proposed hydrogen offtaker/s and level of conditionality of the offtake agreements.
- › the risk of cost overruns.
- › 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.
- › the quality of the financial model and assumptions for the Project.

DEMONSTRATING MERIT AGAINST THIS CRITERION

Applicants can demonstrate merit by describing and showing evidence of:

- › a detailed financial model for the Project with evidence of third-party information for all key inputs that shows (at a minimum):
 - the total capital cost of the Project
 - the Project revenues and operating costs

- the proposed Production Credit
 - other sources of funding, including any other concessional funding
 - any relevant benchmarks for the economics of the Project
 - the returns to debt and equity
- › completion of the Project Budget and Sources and Uses of Funds spreadsheet, in the form of the template provided by ARENA on the Program webpage.
 - › evidence of support by the Applicant and any Project Partners, including commitment to provide the specified cash and In-Kind Contributions.
 - › information to confirm that the Applicant (and any Project Partners) has the financial capacity to fund the Applicant's proposed share of the funding for the duration of the Project.
 - › analysis of the pricing differential between the offtake price of hydrogen or its derivatives from the Project and the current market price for hydrogen or its derivatives.
 - › ability of the Project to generate green credits domestically and internationally, and the rationale behind assumed pricing.

MERIT CRITERION E - KNOWLEDGE SHARING

The value of the knowledge generated in contributing to the Program Objectives and how that knowledge will be captured, documented and disseminated.

OVERVIEW

This Merit Criterion assesses the value of the knowledge generated by the Project in contributing to the Program Objectives.

Assessment of this Merit Criterion includes consideration of the following:

- › the extent to which the proposed Knowledge Sharing Plan for the Project demonstrates the following:
 - how well the knowledge generated will contribute to the objectives of the Program
 - the extent to which the Applicant is willing to publicly share the deliverables in the plan
 - the extent to which additional valuable knowledge may be generated and shared from the Project
 - the extent to which the knowledge generated supports the development of new markets and supply chains

ARENA expects Applicants to have reviewed the Knowledge Sharing Plan template, which is available on ARENA's webpage at arena.gov.au/funding/hydrogen-headstart/.

A response to the Knowledge Sharing Plan template will be required at the Full Application Stage. Note, it is not necessary to provide a response to the Knowledge Sharing Plan template at the EOI stage, however, Applicants may wish to provide detail on the value of knowledge and information created by the Project and how that knowledge and information will be shared.

DEMONSTRATING MERIT AGAINST THIS CRITERION

Applicants can demonstrate merit by describing and showing evidence of:

- › how the knowledge generated by the Project would contribute to the Program Objectives.
- › how well tailored the Knowledge Sharing Plan is to the purpose of the Project.
- › how the data, information and lessons learned from the Project will be collected, documented, analysed and disseminated so that it reaches the target audiences.
- › a commitment from the Applicant and other Project Partners to deploy resources to produce high quality knowledge products and communicate the results beyond the Project consortium.
- › the extent to which the data, information and lessons learned from the Project will be made publicly available, including clear identification of what data, information and lessons learned:
 - can be released into the public arena;
 - will be provided to ARENA but is to be treated as commercial in confidence by ARENA; and
 - will be kept confidential.
- › any constraints that may prevent an Applicant from sharing knowledge and information, such as IP protection processes and rights of any third parties including third party materials and IP.

PART 6. APPLICATION DEVELOPMENT COST REBATE

OVERVIEW

Applicants invited to the Full Application stage that are unsuccessful in receiving an offer of funding under the Program may be eligible to claim up to 50 per cent of external development costs incurred during the Full Application period from ARENA, subject to meeting the eligibility and evidence requirements described in this Part 6 (**Application Development Cost Rebate**).

The Application Development Cost Rebate is designed to provide:

- › an incentive for Projects to develop project materials during the period between the acceptance of an invitation to the Full Application stage and the Full Application decision outcome; and
- › a range of advanced development Projects in the event that a Project does not receive an Offer to Negotiate.

ELIGIBILITY

To be eligible to receive an Application Development Cost Rebate, an Applicant must satisfy the following requirements to ARENA's satisfaction:

- › an eligible Full Application must be lodged by the Full Application Due Date, as notified within the outcome letter issued to Applicants invited to the Full Application stage.
- › the Full Application must not include material change relative to the EOI (refer to Part 3).
- › the Applicant does not receive an offer of funding under the Competitive Round.
- › submission of a request for an Application Development Cost Rebate payment using the prescribed form (which will be provided to relevant Applicants).
- › the request for an Application Development Cost Rebate payment must be accompanied by detailed third party material and supporting information.
- › agreement to provide a knowledge sharing report detailing the development of the Project to date including, but not limited to, electrolyser pricing and the cost of major equipment items and operating cost and revenue assumptions.

The decision on an Applicant's eligibility to receive the Application Development Cost Rebate, and the amount of any payment to any Applicant, is at the absolute discretion of ARENA. Any FEED or other development costs incurred by the Applicant during the Full Application stage are at the Applicant's own risk.

ARENA will provide further details on the process to claim an Application Development Cost Rebate as part of the outcome letters issued to those Applicants who ARENA considers to be eligible. Applicants that receive an Offer to Negotiate (whether accepted by the Applicant or otherwise) are not eligible to receive funds under the Application Development Cost Rebate.

AMOUNT OF APPLICATION DEVELOPMENT COST REBATE

Applicants that are eligible, as determined by ARENA, for the Application Development Cost Rebate may request up to 50 per cent of Verifiable Third Party Costs from ARENA subject to:

- › evidence of the costs being incurred in the period between the acceptance of an invitation to the Full Application stage and the notification of being unsuccessful in receiving an offer of funding (ARENA will not pay for work that occurred outside of this period).
- › evidence of the costs being substantially required to support the hydrogen production component of the Project as presented in the Full Application.
- › the costs relating to services that are being provided by a suitably qualified party.
- › the request not exceeding the estimated Application Development costs outlined in the Full Application.
- › provision, to ARENA's satisfaction, of a knowledge sharing report detailing the development of the Project to date including, but not limited to, electrolyser pricing and the cost of major equipment items and operating cost and revenue assumptions (note that this report may include a confidential addendum in order to protect commercially sensitive details).

COMPLIANCE AND REQUIREMENTS FOR APPLICATION DEVELOPMENT COST REBATE

If an Applicant or Project Partner has previously received ARENA funding or other grant funding from another party, the Applicant will be required to demonstrate that this previously received funding does not relate to any Verifiable Third Party Costs being claimed as part of the Application Development Cost Rebate request. Where an Applicant is concerned that Verifiable Third Party Costs may be ineligible as a result of previously receiving ARENA funding or other grant funding, Applicants may seek clarification on certain costs through the Competitive Round Q&A before submitting a Full Application.

On acceptance of an eligible Application Development Cost Rebate request, ARENA will provide further information on how such payment will be made.

For the avoidance of doubt, if an Applicant does not provide, to ARENA's satisfaction, the knowledge sharing report described above, then no payment will be made.

TOTAL APPLICATION DEVELOPMENT COST REBATE AMOUNT

The Application Development Cost Rebate available to all Applicants will be subject to a total funding cap (**Total Application Development Cost Rebate Amount**). In order for the Total Application Development Cost Rebate Amount to be determined by ARENA, Applicants are requested to provide the following details in their EOI submission:

- › their view on whether the Application Development Cost Rebate is appropriate and, if not, commentary on what would be required for them to develop a Full Application; and
- › the likely amount of expenditure Applicants forecast they will incur if they are invited to the Full Application stage and the likely amount of Application Development Cost Rebate that would be requested by the Applicant.

ARENA will notify Applicants of the Total Application Development Cost Rebate Amount at the Full Application stage.

PART 7. OFFER TO NEGOTIATE AND PROJECT BID BONDS

OFFER TO NEGOTIATE

Applicants that are successful at the Full Application stage of the Competitive Round will be issued a non-binding offer to negotiate a Funding Agreement (**Offer to Negotiate**). The Offer to Negotiate will outline the terms under which ARENA is prepared to enter into negotiations for a Funding Agreement for the Project. The Offer to Negotiate will outline:

- › the amount of ARENA funding that is being offered (including final Production Credit value).
- › the terms and conditions associated with the offer of ARENA funding.
- › that the ARENA funding is linked to the operation of the renewably powered electrolyser specified in the Full Application.
- › the development milestones and timetable that the Applicant is required to meet (such as relevant milestones up to and including Financial Close and commissioning).
- › the terms under which ARENA may withdraw the offer of funding.
- › requirements for regular confirmation that the Applicant is proceeding with the Project.
- › Bid Bond details and associated deed poll.

BID BONDS

When an Offer to Negotiate letter is issued, the Recipient will be required to provide ARENA with a bid bond (**Bid Bond**). The amount of the Bid Bond will be confirmed by ARENA in the Offer to Negotiate letter. The Bid Bond will be due to ARENA within 20 business days following the date of the Offer to Negotiate letter. Bid Bonds will be forfeited if an Applicant has received an Offer to Negotiate but does not proceed to Financial Close by the date specified in the Offer to Negotiate letter, unless ARENA grants an extension to that timeline (in its sole discretion). Furthermore, where development milestones are not achieved, ARENA may, in its discretion, elect to terminate Funding Agreement negotiations with the Applicant at which point the Applicant Bid Bond will be forfeited or extended by agreement between the parties.

The Bid Bond must be issued by a bank with a branch in Sydney or Melbourne that has a rating from Standard & Poor's of at least A- or a rating from Moody's of at least A3.

The Offer to Negotiate will provide that ARENA may make a demand under the Bid Bonds if:

- › the Applicant withdraws from negotiations in respect of the Funding Agreement.
- › the Applicant fails to meet Financial Close on or before the CP Satisfaction Date.

ARENA will return the Bid Bonds to the Applicant if the Applicant achieves Financial Close on or before the date specified in the Offer to Negotiate.

PART 8. FUNDING AGREEMENTS

FUNDING OFFERS

- › All funding offers and any payment of funds under the Program are conditional upon the execution of a Funding Agreement with ARENA.
- › ARENA reserves the right to withdraw or reduce an offer of funding during the negotiation process.
- › The funding offer will include details of the Funding Agreement negotiation process. ARENA may stipulate conditions to the funding offer.
- › ARENA may require an Applicant to develop and adhere to a development timeline. This timeline will note key dates such as finalisation of key contracts, approvals and taking a final investment decision. Applicants will be required to 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).
- › Applicants must ensure that funding offers are kept confidential until the execution of the Funding Agreement by both the Applicant and ARENA.
- › Any public statements relating to the application or the proposed Project by the Applicant between the application submission date and execution of the Funding Agreement require ARENA's prior written consent.
- › ARENA may withdraw its offer of funding should an Applicant not comply with any of the requirements within Part 8 of these Guidelines.
- › During Funding Agreement negotiations, ARENA and the Applicant may mutually agree to make minor changes to the Project in order to improve the overall outcomes of the Project.

FUNDING AGREEMENT

- › The Funding Agreement will provide the legal framework for the rights and obligations of each party in relation to the Project. Applicants should review and understand ARENA's draft Term Sheet prior to submitting a Full Application. ARENA will provide its template form of Funding Agreement to commence negotiations following an offer of an award of funding.
- › ARENA reserves the right to not consider changes to the Funding Agreement that were not raised in the Term Sheet as part of the Applicant's Full Application submission.

USE OF FUNDING

- › Applicants are required to prepare a budget for the Project, which is to be submitted with the EOI and Full Application.
- › An agreed budget will form part of the Funding Agreement for the Project.

KNOWLEDGE SHARING AND PUBLICATION OF PROJECT INFORMATION

A condition of funding through the Program is agreement to a Knowledge Sharing Plan to inform industry and the broader community about the Project's development and findings.

The template Knowledge Sharing Plan is included on the Program website. Compliance with the template Knowledge Sharing Plan will form part of ARENA's assessment of merit against Merit Criterion E. Applicants are required to provide a response to the template Knowledge Sharing Plan with the Full Application by including the template as an attachment to the application with comments on what deliverables are agreed to be shared and the accessibility of knowledge sharing deliverables. Applicants are encouraged to include any incremental knowledge sharing outputs that they consider to be valuable to the market.

Note, it is not necessary to provide a response to the Knowledge Sharing Plan template at the EOI stage, however, Applicants may wish to provide detail on the value of knowledge and information created by the Project and how that knowledge and information will be shared.

An agreed Knowledge Sharing Plan will form part of the Funding Agreement for the Project.

ONGOING MONITORING AND REPORTING

Recipients may be required to submit reports and other information throughout the Funding Period to enable ARENA to monitor the progress of Projects. The requirement for such reports and other information will be included in the Funding Agreement.

ARENA may also evaluate the Program, both during the Funding Period and after the Funding Period, to measure how well the Program Objectives have been achieved. Information from the Full Application and obtained under the Funding Agreement may be used for this purpose. ARENA may also interview Recipients or ask Recipients for more information to help understand how the Program impacted the Project and to evaluate how effective the Program was in achieving its Program Objectives. The requirement for such cooperation will be included in the Funding Agreement.

PART 9. FURTHER PROGRAM INFORMATION

CONFIDENTIALITY AND DISCLOSURE OF INFORMATION

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 the above, commercial-in-confidence information provided by Applicants may be disclosed by ARENA to the following parties:

- › ARENA's Personnel or its advisors.
- › the Minister and the Minister's office.
- › the Department of Climate Change, Energy, Environment and Water (DCCEEW).
- › the Parliament of the Commonwealth of Australia in response to a request by a House or a Committee of the Parliament of the Commonwealth of Australia.
- › the Auditor General, Ombudsman, Information Commissioner or Privacy Commissioner.
- › the Australian Energy Market Operator (AEMO), Australian Energy Regulator (AER) and Australian Energy Market Commission (AEMC).
- › any Commonwealth agency or body, or any other organisation or individual considered by ARENA to have a need or an entitlement to know that information (including any state or territory agency or body), where that need or entitlement arises out of or in connection with ARENA's assessment, verification or due diligence of any aspect of an application.
- › where authorised or required by law to be disclosed.

All documents in the possession of ARENA, including those provided by the Applicant, are subject to the *Freedom of Information Act 1982* (Cth) (FOI Act). The purpose of the FOI Act is to give members of the public rights of access to information held by the Australian Government and its entities. Under the FOI Act, members of the public can seek access to documents held by the Australian Government. This right of access is limited only by the exceptions and exemptions necessary to protect essential public interests and private and business affairs of persons in respect of whom the information relates. If someone requests a document under the FOI Act and it contains your information, ARENA will consult Applicants as required by the FOI Act before making a decision about its release.

Any personal information received as part of an application must be treated according to the Australian Privacy Principles and the *Privacy Act 1988* (Cth). ARENA may collect, use and disclose any personal information as contemplated by these Guidelines, including to the entities listed above. Applicants can read [ARENA's Privacy Policy](#) on its website for further information.

Any confidential information of ARENA provided to the Applicant as part of this process is not to be disclosed to any third party, unless required by law or with ARENA's prior written consent.

ARENA may publicly release the names of successful Applicants and the locations of the proposed Projects following announcements of shortlisted applications and successful Full Applications.

ACKNOWLEDGEMENT AND PUBLICITY

Unless otherwise agreed, ARENA requires that all successful Applicants acknowledge the financial and other support received from ARENA in all publications, promotional and advertising materials, public announcements, events and activities in relation to the Project, or any products, processes or inventions developed as a result of that Project. The form of any such acknowledgement will be set out in the Funding Agreement.

REVIEW OF DECISIONS AND COMPLAINTS

ARENA has in place a Complaints Handling Policy, which is available on ARENA's website [here](#).¹ Any complaints concerning assessments or processes should be discussed with the relevant ARENA Personnel involved in the assessment or process in the first instance. If the Applicant is not satisfied following the discussion with the ARENA official, a formal complaint can be made using the form on ARENA's website [here](#).²

CONFLICTS OF INTEREST

ARENA has in place policies to manage any conflicts of interest that may arise with respect to the ARENA Board, Personnel and Advisory Panel members.

Applicants must advise ARENA in writing of any actual, apparent or potential conflicts of interest that arise in its application and during any part of the application process.

Applicants must comply with any directions from ARENA as to the management of a material conflict of interest.

ARENA reserves the right to cease consideration of an application, at any stage of the process, where a conflict of interest arises that ARENA considers, in its sole discretion, cannot be appropriately managed.

COMMUNICATIONS AND PUBLIC ANNOUNCEMENTS

Any media releases by Applicants related to applications in the Competitive Round are to be jointly agreed between ARENA and the Applicant. All media announcements, releases or other public disclosure to third parties relating to the application and the Competitive Round must only be with the prior written approval of ARENA. Once a Funding Agreement is executed, the terms of the Funding Agreement will govern any public announcements.

ARENA'S DISCRETION

By submitting an application, you acknowledge and agree to ARENA's right to reject, refuse to consider or cease evaluating your application, at any time, as set out in these Guidelines.

NO CONTRACT OR LIABILITY

Despite anything in the Guidelines or in any application submission, or any other documentation that forms part of this process (in part or together), by submitting an application, each Applicant:

- › Acknowledges that neither ARENA nor the Applicant intends to create any contract or other relationship under which ARENA is obliged to conduct the process in relation to the Program in any manner or at all, and that there is in fact no such contract or other relationship in existence.
- › Acknowledges that neither the Guidelines nor any submission will create any legal or other obligation upon ARENA to conduct the process in any manner or at all.
- › Subject to ARENA agreeing to provide an Application Development Cost Rebate in accordance with Part 6 of these Guidelines, agrees that ARENA will not be liable whatsoever for any costs incurred by the Applicant in preparing an application for the purposes of applying for funding under the Program.
- › Releases ARENA from any claim it might otherwise have been able to make or bring against ARENA, arising out of or in connection with ARENA's conduct of, or failure to conduct, the process in any manner or at all.

1 <https://arena.gov.au/assets/2018/07/complaints-handling-policy-procedure-form.pdf>

2 <https://arena.gov.au/making-a-complaint/>

WORK HEALTH AND SAFETY

All organisations have obligations under relevant Work Health and Safety law (**WHS Law**) to ensure the health and safety of workers so far as is reasonably practicable and that the health and safety of other persons is not put at risk from their undertakings. This obligation includes funding Recipients ensuring that safe systems of work are in place for each of their activities. ARENA expects Applicants to be committed to health and safety management in the proposed Project.

ARENA also has a policy of ensuring that it enters into agreements with, or provides funding to, only those organisations that take a proactive approach to managing work health and safety risks in accordance with the requirements of WHS Law.

OTHER APPLICABLE REQUIREMENTS

In addition to the requirements of Eligibility Criterion H, all Applicants must at any time during the Project disclose any litigation, arbitration, mediation, conciliation or proceeding or any investigations (**Proceedings**) that to the best of the Applicant's knowledge, after having made proper enquiry, are taking place, pending or threatened, against them or a Related Body Corporate (as defined in the *Corporations Act 2001* (Cth)), where such Proceedings have the potential to affect either:

- › the Applicant's capacity to undertake the proposed Project, or
- › the Applicant's reputation.

A range of Commonwealth policy and legislative requirements may also affect the conduct of Projects funded through the Program. Applicants should seek their own advice on any relevant legislation that may be applicable under the Funding Agreement. This may include, for example, the requirement to prepare and submit an Australian Industry Participation Plan (**AIPP**) if it is required by law.

Despite anything else in these Guidelines and in addition to Eligibility Criterion H, ARENA will not enter into a Funding Agreement with an organisation on the list of persons and entities designated as terrorists or subject to sanction. The list and more information on sanctions and the anti-terrorism requirements are available at www.dfat.gov.au/international-relations/security/sanctions/consolidated-list

APPENDIX A – PRODUCTION CREDIT STRUCTURE AND CALCULATION

PRODUCTION CREDIT STRUCTURE AND CALCULATION

Grant funding under the Program will be paid in the form of a Production Credit. Funding will be paid per unit of eligible renewable hydrogen or derivative product produced, with payments made over a maximum 10 year period.

The Production Credit should represent the additional funding required to bridge the difference between the expected sales price to each offtaker and the Applicant's cost of production (including a justifiable return on capital). This relationship is illustrated in Figure 1 below.

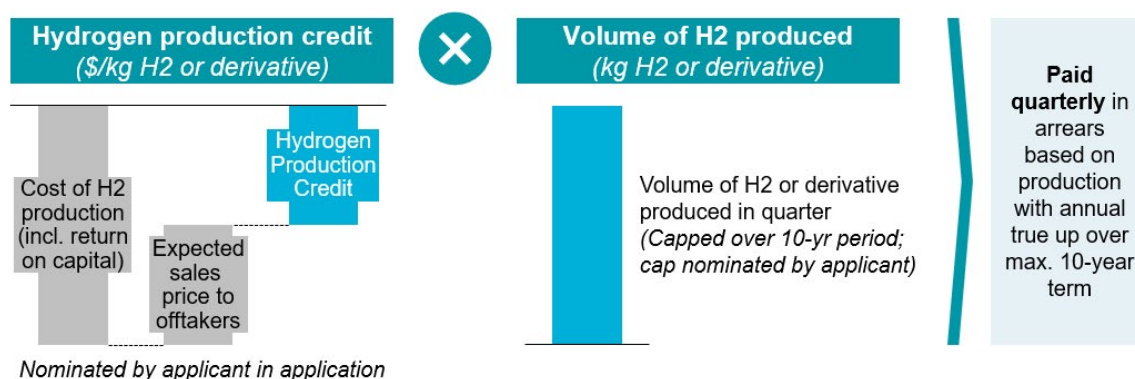


Figure 1 - Structure of Production Credit

Applicants are requested to propose a number of key parameters for the Production Credit in their application, which should reflect the proposed Project and the support needed to successfully deliver this Project. It is expected that Applicants should size the Production Credit to bridge the economic gap between all relevant costs of hydrogen production (and conversion to hydrogen derivatives if relevant), and the ultimate offtake price(s) received.

The proposed Production Credit value will be considered as part of the assessment against the Merit Criteria.

KEY PARAMETERS

When proposing a Production Credit value within the application, the following parameters should be specified:

PARAMETER	COMMENT
Production cost, farm gate (\$/kg of hydrogen)	Applicants are to provide the forecast production cost of renewable hydrogen, at the gate of the electrolysis facility (i.e. not including any storage or transport to other conversion facilities or offtakers). This should be presented with and without a margin that allows the Applicant's required return to be achieved (as noted below).
Production cost, well to user (\$/kg of hydrogen or \$/unit of derivative)	Applicants are to provide the forecast production cost of the ultimate product to be produced under the Project, which should align with the product sold to offtakers. This should include all production costs including hydrogen production, storage, transportation and conversion into a derivative, along with any storage and transportation to the offtaker. This should be presented with and without a margin that allows the Applicant's required return to be achieved (as noted below).
Production cost, well to user (\$/kg of hydrogen equivalent)	For hydrogen derivatives, the \$/unit of derivative value is to be converted into an equivalent \$/kg of hydrogen for comparability. This should be presented with and without a margin that allows the Applicant's required return to be achieved (as noted below).
Production Credit value (\$/kg of hydrogen or \$/unit of derivative)	Applicants are required to propose a nominal value for the Production Credit over the Funding Period. The Production Credit should be sized to bridge the gap between production costs and offtake prices, with an additional margin added to provide the minimum required return. It is expected the Production Credit should remain fixed during the 10 year period or the term of key commercial contracts if these are shorter than 10 years.

PARAMETER	COMMENT
Production Credit value (\$/kg of hydrogen equivalent)	For hydrogen derivatives, the \$/unit of derivative value is to be converted into an equivalent \$/kg of hydrogen for comparability.
Required return (pre and post-tax equity IRR and Project IRR) (%)	Applicants are required to propose their required return (pre and post-tax equity IRR and Project IRR). The Production Credit should represent the additional revenue required for the Project to generate the minimum required return for the Project sponsors to undertake the Project.
Indexation/inflation assumption for Production Credit	Applicants are to specify a nominal value for the Production Credit (i.e. a flat amount that does not change over the Funding Period). The Production Credit will not be increased over time for the impact of inflation.
Project Start Date (Project commercial operations date) (month and year)	Support will not commence before the commissioning / commercial operations date of the Project. For Projects that may have a phased expansion of capacity, Applicants are expected to note the start date for the first phase of the Project (which should meet the Eligibility Criteria, in particular facility size). Noting the Project may not be operating at full capacity immediately, Applicants may incorporate a 'ramp-up' of production through the proposed Forecast Annual Production Volumes.
Forecast Lifetime Production Volume (kg or other derivative)	Applicants are to specify a forecast production volume that represents the realistic estimate of the total production of the facility over the Funding Period.
Forecast Annual Production Volume (kg or other derivative)	Applicants are to specify a Forecast Annual Production Volume for each year of the Funding Period. The sum of the Forecast Annual Production Volumes over the Funding Period must equal the Forecast Lifetime Production Volume. More detail is provided in the Payment Frequency, Annual Reconciliation and Upside Sharing section below. Note: Applicants are not required to propose a Forecast Annual Production Volume for each year of the Funding Period at the Expression of Interest stage.

Applicants should also take the following into consideration when determining the required Production Credit:

PARAMETER	COMMENT
Term and frequency of funding	It is expected that the Production Credit will be paid quarterly in arrears for a maximum term of 10 years. Quarterly payments will be made based on the volume produced in that quarter. An annual true up and certification process will then occur, which will consider audited actual production volumes and will ensure that payment under the Program for that year is equal to the value of the Production Credit multiplied by the actual production. The annual true up process will be required to be certified by an independent body as meeting the requirements specified within the agreed terms and conditions of funding (such as renewable energy use), and eligibility for the Production Credit. ARENA may agree a different payment frequency with successful Applicants through negotiations if alternative arrangements are appropriate.
Conversion into derivatives	Funding will be paid based on renewable hydrogen production. However, the Production Credit required should be sized as the funding gap needed for the overall Project to occur. Therefore, if the ultimate offtakes contemplated are for a hydrogen derivative, and the Project will involve both hydrogen production and conversion into a derivative, the Production Credit should reflect the gap between all production costs required to produce the derivative and the sales price of that derivative.
Multiple offtakes of different prices and terms	The Production Credit proposed must be a single nominal value, that remains the same over the Funding Period. Multiple Production Credit values will not be provided to bridge the prices of different offtake contracts. As part of the Annual Reconciliation process, ARENA may consider the actual offtake prices to determine the actual funding gap for the period for the purposes of determining whether upside has been achieved. For the avoidance of doubt, the proposed value of the Production Credit cannot be increased in periods where the average offtake price is lower.
Changes in production volumes over time	This may be relevant for Projects with a phased scale up of capacity, or with multiple offtakes with varying terms and volumes. The Forecast Annual Production Volume should reflect anticipated changes in production volumes over time. An annual true up will take place, with any upside sharing calculated on the basis of annual revenues. Refer to Payment Frequency, Annual Reconciliation and Upside Sharing section below.
Total Payment Cap	The maximum funding that will be payable to a Recipient over the Funding Period.

PAYMENT FREQUENCY, ANNUAL RECONCILIATION AND UPSIDE SHARING

ARENA recognises that forecast production volumes, offtake prices and production costs when determining the Production Credit required will not necessarily be the same as actual. To provide operational flexibility, Recipients will be able to true up Production Credit payments on an annual basis, subject to the Forecast Annual Production Volume. Key principles of the annual reconciliation mechanism are noted below, with final details to be negotiated between ARENA and successful Applicants:

- › Payments under the Program will be paid quarterly.
- › Quarterly payments will be based on production volume (calculated as the production volume for the quarter, multiplied by the Production Credit). The reporting arrangements for production volumes will be negotiated between ARENA and successful Applicants.
- › The annual payment for a given year will only reflect the audited and certified actual production volume in that year (calculated as the audited and certified production volume multiplied by the Production Credit).
- › At the end of each year, a true up process will occur. Recipients will be required to provide externally verified evidence of actual production volumes in the year.
- › If the audited actual production volume is less than what has been paid (i.e. there has been an overpayment), subsequent payments will be reduced until the overpayment is recovered. This is illustrated in Figure 2 below.
- › If the audited actual production volume is greater than what has been paid:
 - If there has been no underperformance in previous years, the maximum annual payment will be the Forecast Annual Production Volume multiplied by the Production Credit. The excess volumes will be able to be carried forward to offset future underperformance (in line with the below).
 - If there has been underperformance in previous years, payment will be able to be received with respect to the excess volumes produced in the current year, up until the previous volume of underperformance. This is expected to allow proponents to benefit from overperformance, whilst ensuring that the total paid out level of funding does not ever exceed the level of funding that is expected to have been paid out.
- › There is not proposed to be a minimum production volume requirement, however, the quarterly payment will only be paid if hydrogen is produced in that quarter, and ARENA reserves the right (in consultation with other financiers) to terminate the Funding Agreement if it has reason to believe the Project has been abandoned. Applicants are requested to propose Forecast Annual Production Volume amounts which represent the anticipated production of the Project, including any initial scale-up to meet offtaker demand or planned maintenance/outages. The Forecast Annual Production Volume may be adjusted from time to time based on actual performance.
- › The annual reconciliation will also require Recipients to provide evidence that the hydrogen produced meets the requirements to receive funding under the Program (in particular, renewable energy requirements). This information will not be required on a quarterly basis.
- › The annual reconciliation will also require information around the achieved production cost and offtake price(s) in the year. This will be compared to the forecast production cost and offtake price(s) to calculate upside experienced in that year. To the extent material upside has occurred, subsequent quarterly payments will be reduced until 50 per cent of the upside has been shared. Upside sharing arrangements will be agreed as part of Funding Agreement negotiations, with consideration to other factors such as debt repayment and equity contribution requirements.

A simplified version of the annual reconciliation process is illustrated in Figure 2 below, illustrating a situation of underperformance. This example assumes quarterly production volumes of 25 units and a Production Credit value of \$2 per unit. This example does not consider any previous year overperformance.

Annual Reconciliation - Underperformance

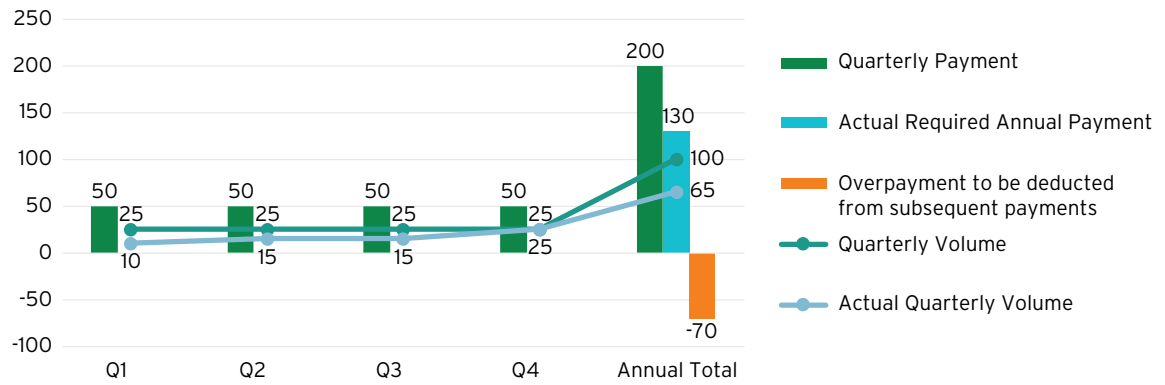


Figure 2 - Annual Reconciliation example, in situation of underperformance

RECOUPMENT

Recipients may be required to pay back an amount of the Production Credit received in previous years if a 'windfall gain' event is experienced. This is anticipated to capture situations where market changes result in the funded Project no longer requiring concessional funding support, due to market changes or otherwise.

The amount to be repaid will be determined at the time between the Recipient and ARENA, with consideration of the difference between expected and realised Project returns, and after consideration of any previous upside shared.

APPENDIX B – APPLICATION INFORMATION REQUIREMENTS

EXPRESSION OF INTEREST (EOI) STAGE

Applicants should provide a short form Project plan document (limited to 30 pages), with supporting evidence such as term sheets, MOUs or feasibility/FEED studies included as separate attachments, noting the information below:

- › Summary of the Project including description, size, proposed location and use of the hydrogen.
- › Overview of Production Credit support requested, noting requested Production Credit value, calculation methodology and basis of calculation (i.e. pre-tax, pre-Production Credit equity/Project internal rate of return (IRR) and pre-tax, post-Production Credit equity/Project IRR).
- › Provide detail on how upside may be shared and structured, noting the proposal in Appendix A.
- › Provide key Project metrics including targeted electricity supply cost (including the cost of any RECs, \$/MWh), electrolyser capacity factor (%), hydrogen (or derivative) production cost (\$/kg hydrogen or appropriate metric).
- › Level of feasibility or FEED work undertaken to date, with any completed studies provided as an attachment. Project cost estimates should be at a minimum AACE Class 4 level.
- › Details of all development costs including any pre-feasibility, feasibility and FEED costs spent to date.
- › An outline of the proposed capital structure to fund the Project and financing plan.
- › Details on the proposed offtake, current level of discussions and a summary of the key terms and conditions. In the case of self-consumption, Applicants should provide comprehensive detail on the use case for the hydrogen.
- › Overview of Applicant, consortium, and Project Partners (including key equipment suppliers), noting capacity and capability, and relevant experience both in Australia and internationally.
- › Timetable for the Project, including key milestones, target final investment decision, target financial close date, and target commissioning date.
- › Detail on the proposed EPC and electrolyser supplier, including lead times on critical equipment and how this may impact the timetable for the Project.
- › Detail on current status of land access, approvals and regulatory licenses required for the Project and anticipated pathway and timing to finalisation.
- › Detail on power supply arrangements including proposed source of renewable energy (noting key terms and assumed electricity supply price), the status of grid connection agreement process and whether grid augmentation will be required to support the Project.
- › Detail regarding proposed source of water, volume, costs and any related approval required (including status), along with detail on the environmental impact of using that water source and managing its use, or any waste products.
- › Detail regarding the proposed use of local supply chains, including sourcing of domestically manufactured equipment or domestically supplied services to deliver the Project or support the establishment of new manufacturing capability.
- › Detail on the estimated number, type and location of jobs maintained and created through the construction and operational period of the Project as well as any skills and training opportunities.
- › Note the status of any community consultation and engagement with relevant Traditional Owner groups, including consideration of cultural heritage and engagement with First Nations communities in decision making for the project, that has occurred to date and any planned activities.
- › Detail on plans for ongoing local community engagement, including actions to build and sustain social license to operate.
- › Detail on plans for ongoing consultation and engagement with relevant First Nations communities, including objectives for First Nations participation, procurement, employment and any decision making, benefits sharing, positive economic impacts, financial returns or ownership models.
- › Detail on plans to support workplace gender equality, including considerations of specific numerical targets, indicators, progress, and actions to be undertaken during the project activities.
- › A section summarising the estimated carbon abatement potential of the Project and the estimated emissions intensity of the hydrogen produced. Applicants should calculate the estimated Scope 1, Scope 2 and Scope 3 CO₂e emissions that would be avoided relative to incumbent fossil-fuel production technologies. Carbon abatement should be calculated using a consistent framework to be specified (for example, the proposed GO Scheme).

- › Detail on the value of knowledge and information created by the Project and how that knowledge and information will be shared (note, it is not necessary to provide a response to the Knowledge Sharing Plan template at the EOI stage).
- › Commentary on the Application Development Cost Rebate as requested in Part 6, including the likely amount of expenditure Applicants forecast they will incur if they are invited to the Full Application stage and the likely amount of Application Development Cost Rebate that would be requested by the Applicant.

KEY ATTACHMENTS

Applicants should also submit the following key attachments and supporting evidence:

- › MOU or term sheets with third party for offtake or hydrogen use. The MOU should specify timing, volume, price and any specific conditions. In the case of self-consumption, applicants should provide comprehensive detail on the use case for the hydrogen.
- › MOU or term sheets for renewable energy supply including pricing, term and key conditions if contracted, or agreement to acquire and retire required LGCs or other RECs eligible under the GO scheme. If Applicants are constructing renewable energy assets for the project, detail should be provided on the proposed sizing of the renewable energy assets, construction timelines and costs.
- › MOU or term sheets for EPC and OEM arrangements including delivery timelines.
- › Evidence of Project development work undertaken to date. At the EOI stage this is expected to include a completed Feasibility study to support AACE Class 4 cost estimates.
- › Financial model meeting the specifications below.
- › Completed Project Budget and Sources and Uses spreadsheet, in the form of the template provided by ARENA (available on the Program webpage). This should include (to the extent available) details of proposed financiers.

FINANCIAL MODEL

As noted above, a dynamic financial model should also be provided, including at a minimum:

- › Clear, best practice calculation of all capital and operating costs and revenues, provided at a quarterly or monthly granularity, with a clear breakdown of cost/revenue categories.
- › All assumptions to be clearly labelled and dynamic.
- › Note key Project metrics including targeted electricity supply cost (including the cost of any RECs, \$/MWh), electrolyser capacity factor (%), hydrogen (or derivative) production cost (\$/kg hydrogen or appropriate metric) and proposed Production Credit (\$/kg hydrogen and \$/tonne ammonia, or other metric as appropriate if required).
- › Integration of the proposed Production Credit subsidy with appropriate tax treatment.
- › Ability to clearly sensitise the model to view the equity and Project IRR (pre- and post-tax) with and without the Production Credit subsidy.
- › Comprehensive assumption book with evidence of third-party information for all key inputs. All submission materials will be treated as commercial-in-confidence.

FULL APPLICATION STAGE

All information requirements are subject to amendment following EOI stage. Requirements will be confirmed at the time of invitation to the Full Application stage.

It is expected that Applicants provide the following:

- › Overview of Production Credit support requested, noting requested Production Credit value, calculation methodology and basis of calculation (i.e. pre-tax, pre-Production Credit equity/Project IRR and pre-tax, post-Production Credit equity/Project IRR)
- › Detailed long form countersigned term sheet for renewable energy supply including pricing, term and key conditions if contracted, or a signed agreement to acquire and retire required LGCs or other RECs eligible under the GO scheme. If Applicants are constructing renewable energy assets for the Project detail should be provided on the proposed sizing of the renewable energy assets, construction timelines and costs. The application should detail the impact of flexible operations on the electricity supply pricing.
- › Detailed term sheet for equity including any conditions.
- › Detailed term sheet for any debt funding including any conditions.
- › Detailed term sheet for offtake or hydrogen use. The term sheet should specify timing, volume and price and any specific conditions. In the case of self consumption, applicants should provide comprehensive

detail on the use case for the hydrogen.

- › Applicants should have completed feasibility and be well progressed in FEED studies and provide evidence or copies of these studies.
- › Evidence of total Project cost estimates at a minimum AACE Class 3 estimate, with the timeline to completing FEED noted.
- › Evidence by way of term sheet of preferred EPC and electrolyser supplier firm pricing including details of equipment lead times and any performance guarantees.

Applications should also provide a long form Project plan document updated following EOI submission and feedback that includes (at a minimum):

- › Summary of the Project including size, proposed location and use of the hydrogen.
- › The current technical design of the Project including the source of renewable energy, piping and instrumentation diagrams (P&ID) as well as any feasibility work undertaken to date.
- › Outline of the key Project Partners including equipment suppliers and note relevant experience both in Australia and internationally.
- › Detail on current status of development, planning and environmental approvals required for the Project and anticipated pathway and timing to finalisation.
- › Detail on current status of assessment under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (EPBC Act), if required.
- › Evidence of land access for proposed site of Project.
- › Detail of any regulatory licences required to carry out the Project and current status of registration.
- › Analysis of the availability of required power capacity and to what extent grid augmentation would be needed to support the Project's electricity requirements.
- › Detail regarding the status of grid connection agreement process and where possible, evidence provided to confirm the current status.
- › Detail regarding proposed source of water, water quality, estimated consumption per annum, costs and any related approval required (including status), along with detail on the environmental impact of using that water source and managing its use, or any waste products.
- › Detail regarding the proposed use of local supply chains, including sourcing of domestically manufactured equipment or domestically supplied services to deliver the Project or support the establishment of new manufacturing capability.
- › Detail on the estimated jobs maintained and created through the construction and operational period of the Project as well as any skills and training opportunities.
- › Detail on how the Project may support the development of utility (for example water) and social infrastructure (for example community facilities).
- › Timetable for the Project, including key milestones, target final investment decision, target financial close date and target commissioning date.
- › Detail on the EPC and electrolyser supplier, including lead times on critical equipment and how this may impact the timetable for the Project
- › Provide key Project metrics including targeted electricity supply cost (including the cost of any RECs, \$/MWh), capacity factor (%), hydrogen (or derivative) production cost (\$/kg hydrogen or appropriate metric).
- › A section summarising the estimated carbon abatement potential of the Project. Applicants should calculate the estimated Scope 1, Scope 2 and Scope 3 CO₂e emissions that would be avoided relative to incumbent fossil-fuel production technologies (including detail on how emissions avoided would be additional to what would otherwise have been emitted). Carbon abatement should be calculated using a recognised and consistent framework to be specified (for example, the proposed GO Scheme).
- › Detail on whether the hydrogen (or its derivative product) is expected to abate existing emissions or drive development of new clean energy industries.
- › Details of all development costs including any pre-feasibility, feasibility and FEED costs spent to date. Note any development costs that will be repaid at financial close.
- › An outline of the proposed capital structure to fund the Project including evidence of the proposed sources of such funds, noting level of commitment in line with the compulsory requirements above, including timeline for financing becoming unconditional.
- › Details on how the Applicant will manage contingency costs and cost overruns.
- › Proposed tax structure for the Project, including whether any regulatory approvals will be required for example Foreign Investment Review Board (FIRB).

- › Details on the proposed maintenance and replacement regime for the lifetime of the asset.
- › Analysis to demonstrate a clear path to further cost reductions beyond this Project, which could allow the Project to be replicated with a reduced subsidy within the medium term.
- › Detail on the Applicant's long term hydrogen investment strategy.
- › An appendix noting responses to any EOI feedback.
- › Details concerning the applicant's proposed tax, insurance, and technical consultants, as well as its legal advisor(s).

KEY ATTACHMENTS

- › A detailed risk management plan for the Project.
- › A detailed community consultation plan for the Project. Note and provide evidence of any community consultation completed to date including engagement with Traditional Owner groups.
- › A response to the Knowledge Sharing Plan template including detail on what deliverables are agreed to be shared, the accessibility of knowledge sharing deliverables, and any additional knowledge sharing deliverables that will be provided.
- › A statement of compliance, including any proposed departures, to the draft Term Sheet.
- › Any further letters of support or commitment from partners.
- › List of any further documents available for due diligence.
- › Financial model meeting the specifications below.
- › Updated Project Budget and Sources and Uses spreadsheet, in the form of the template provided by ARENA (available on the Program webpage).
- › A gender equality plan including specific numerical targets, indicators, progress, and actions to be undertaken during the project activities (you may wish to refer to the Workplace Gender Equality Agency for support)
- › A First Nations recruitment, procurement and engagement plan, including consideration of ongoing consultation and engagement with relevant First Nations communities, including objectives for First Nations participation, procurement, employment and any decision making, benefits sharing, positive economic impact, financial returns or ownership models (you may wish to refer to the National Indigenous Australians Agency for support).

FINANCIAL MODEL

As noted above, a dynamic financial model should also be provided, including at a minimum:

- › Clear, best practice calculation of all capital and operating costs and revenues, provided at a quarterly or monthly granularity, with a clear breakdown of cost/revenue categories.
- › All assumptions to be clearly labelled and dynamic.
- › Note key Project metrics including targeted electricity supply cost (including the cost of any RECs, \$/MWh), capacity factor (%), hydrogen (or derivative) production cost (\$/kg hydrogen or appropriate metric) and proposed Production Credit (\$/kg hydrogen and \$/tonne ammonia, or other metric as appropriate if required).
- › Integration of the proposed Production Credit subsidy with appropriate tax treatment.
- › Ability to clearly sensitise the model to view the equity and Project IRR (pre- and post-tax) with and without Program (and other concessional) funding.
- › Comprehensive assumption book with evidence of third-party information for all key inputs. All submission materials will be treated as commercial-in-confidence.

GLOSSARY

Applicant - an eligible organisation or institution as defined in Part 2 of these Guidelines that has submitted an EOI or Full Application for funding under the Program.

AEMC - the Australian Energy Market Commission.

AEMO - the Australian Energy Market Operator.

AER - the Australian Energy Regulator.

AIPP - an Australian Industry Participation Plan.

Application Development Cost Rebate - a reimbursement of eligible application related expenditure incurred during the Competitive Round application process, as specified within Part 6 of these Guidelines.

ARENA - the Australian Renewable Energy Agency.

ARENA Act - the *Australian Renewable Energy Agency Act 2011* (Cth).

ARENA Advisory Panel - information on the members of the ARENA Advisory Panel is available from the ARENA website at arena.gov.au.

ABN - Australian Business Number.

Bid Bond - the amount (to be confirmed by ARENA in the Offer to Negotiate letter) required to be provided by Applicants that are successful at the Full Application stage of the Competitive Round. Bid Bonds will be forfeited if an Applicant has received an Offer to Negotiate but does not proceed to Financial Close within the timetable prescribed in the Offer to Negotiate.

CCS - Carbon Capture and Storage.

Conflict of interest - a situation where a person makes a decision or exercises a power in a way that may be, or may be perceived to be, influenced by either material personal interests (financial or non-financial) or material personal associations.

Consultant - a consultant or service provider engaged by ARENA to provide services to assist ARENA in the performance of its functions.

Competitive Round - the competitive process under which ARENA calls for applications from Applicants in accordance with the requirements of these Guidelines.

Corresponding WHS Law - as defined in the *Work Health and Safety Act 2011* (Cth), means each of the following:

- › *Work Health and Safety Act 2011* of New South Wales
- › *Occupational Health and Safety Act 2004* of Victoria
- › *Work Health and Safety Act 2011* of Queensland
- › *Occupational Safety and Health Act 1984* of Western Australia
- › *Work Health and Safety Act 2012* of South Australia
- › *Work Health and Safety Act 2012* of Tasmania
- › *Work Health and Safety Act 2011* of the Australian Capital Territory
- › *Work Health and Safety (National Uniform Legislation) Act 2011* of the Northern Territory
- › any other law of a State or Territory prescribed by the regulations, as amended from time to time.

CP Satisfaction Date - the date for satisfaction of conditions precedent under the Funding Agreement, to be determined between ARENA and a Recipient.

DCCEEW - the Department of Climate Change, Energy, Environment and Water.

Due Date - the deadline for submission of all required application materials for the Competitive Round as outlined in Part 4.

Eligibility Criteria - the Eligibility Criteria for Projects listed in Part 2 of these Guidelines.

Forecast Annual Production Volume - the forecast annual production of the facility for a year within the Funding Period.

Forecast Lifetime Production Volume - the forecast total production of the facility over the Funding Period.

EOI - an Expression of Interest or first stage application, containing the content outlined in Appendix B.

EPBC Act - *Environment Protection and Biodiversity Conservation Act 1999* (Cth).

EPC - Engineering, Procurement and Construction.

FEED - Front-end engineering and design.

Financial Close - typically, the date at which all key Project documentation has been executed and any conditions precedent have been satisfied or waived.

FIRB - the Foreign Investment Review Board.

Full Application - a second stage application, containing the content outlined in Appendix B.

Full Time Equivalent (FTE) - the ratio of the total number of paid hours during a period (part time, full time, contracted) by the number of working hours in that period Mondays through Fridays. The ratio units are FTE units or equivalent employees working full-time. In other words, one (1.0) FTE is equivalent to one employee working full-time.

Funding Agreement - the agreement between a Recipient and ARENA for funding under the Program.

Funding Period - the period of time over which the Production Credit is paid to a Recipient under the Program (expected to be a maximum of 10 years).

GO Scheme - the Guarantee of Origin Scheme.

Grant - an amount (in Australian Dollars) awarded for a particular Project in the form of a Production Credit. A Grant is not to be confused with a gift or a loan.

Guidelines - the Program Guidelines.

High Merit Projects - projects that are assessed as being of overall high merit against the Merit Criteria at Full Application stage.

In-Kind Contribution - non-monetary resources used on the Project where no cash has been transferred to the Recipients account(s) for the Project.

IP - Intellectual property.

IRR - Internal rate of return.

Knowledge Sharing Plan - an agreement entered into between ARENA and the Recipient that outlines how knowledge and information from the Project will be collected, analysed, stored, used and shared.

LGC - Large scale generation certificate.

Merit Criteria - the Merit Criteria listed in Part 5 of these Guidelines.

Minister - the Minister for Climate Change and Energy.

MOU - Memorandum of Understanding.

Offer to Negotiate - a non-binding offer to negotiate a Funding Agreement, issued to Applicants that are successful at the Full Application stage of the Competitive Round.

Personnel - any employee, officer, consultant, contractor or staff made available to ARENA under section 62 of the *Australian Renewable Energy Agency Act 2011* (Cth).

P&ID - Piping and Instrumentation Diagrams.

PPA - Power Purchase Agreement.

Proceedings - any litigation, arbitration, mediation, conciliation or proceeding or any investigations.

Production Credit - Grant funding paid per unit of eligible hydrogen or hydrogen derivative production. The Production Credit should represent the additional funding required to bridge the difference between the expected sales price to each offtaker and the Applicant's cost of production (including a justifiable return on capital) as outlined in Appendix A.

Program - the Hydrogen Headstart Program.

Program Objectives - the aims of the Program as described in Part 1 of these Guidelines.

Project - the project proposed to be delivered by an Applicant, as set out in the application. Eligible Projects are defined in Part 2 of these Guidelines.

Project Partners - a person, organisation or institution that the Applicant has engaged as a joint venturer, contractor, financier, customer or consultant to help deliver the Project as part of its application.

Project plan - a document that summarises the details of the Project and should include the content noted in Appendix B.

REC - Renewable Electricity Certificate.

Recipient - an entity that has entered into a Funding Agreement with ARENA for funding of a Project.

Related Body Corporate - has the meaning given to that term in section 9 of the *Corporations Act 2001* (Cth).

SMR - Steam Methane Reforming.

Term Sheet - the nonbinding agreement between the Recipient and ARENA outlining the material terms and conditions of the Funding Agreement.

Total Application Development Cost Rebate Amount - the total funding cap available to all Applicants to partially reimburse eligible application related expenditure incurred during the Competitive Round application process, as specified within Part 6 of these Guidelines.

Total Funding Allocation - the total funding allocated for the Program of up to \$2.0 billion.

Verifiable Third Party Costs - are the costs of FEED activities performed for the Applicant by another suitably qualified organisation. Work to be performed must be the subject of a written contract, including a letter or purchase order, which specifies the nature of the work to be performed for the Applicant and the applicable fees, charges and other costs payable.

WHS Law or WHS Legislation - the *Work Health and Safety Act 2011* (Cth), Corresponding WHS Law or superseded work health and safety or occupational health and safety law in any jurisdiction. The WHS Law includes regulations established under the relevant Acts.

Workplace Gender Equality Act - the *Workplace Gender Equality Act 2012* (Cth).

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

Or by emailing:
hydrogenheadstart@arena.gov.au

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Engage with us

ARENAWIRE



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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