



Hydrogen Headstart

Consultation Summary

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) and the Australian Renewable Energy Agency (ARENA) consulted on the design parameters of the Hydrogen Headstart Program (the Program) between 7 July 2023 and 3 August 2023.

114 written submissions were received through the consultation process. This document summarises the feedback received during the consultation period. In general, the proposed program design parameters were well received and broadly agreed. Many respondents noted that the Program was timely, fit for purpose, and were pleased to see Government support for the emerging hydrogen industry.

DCCEEW and ARENA thank the respondents for their submissions.

Feedback from the consultation process was an important input into the final program design.

Design parameter	Summary of responses
Overarching comments	<ul style="list-style-type: none">• Respondents welcomed the development of the Hydrogen Headstart program.• Respondents noted that other countries are implementing substantial and practical measures to stimulate growth in their own hydrogen industry.• Respondents emphasised the importance of moving quickly to ensure Australia can capture opportunities in development now.
Project scale	<ul style="list-style-type: none">• Some respondents suggested the minimum project scale should be increased from 50 MW of electrolysis to 100 MW or above, to better catalyse a large-scale hydrogen industry in Australia.• Other respondents noted that even 50 MW is a significant scale-up in electrolysis capacity, given the largest operating electrolyser in Australia is 1.25 MW, with two 10 MW projects under construction.• Many also highlighted the amount of available funding and the estimated commercial gap between hydrogen production costs and sales prices would naturally lead to the selection of projects larger than 100 MW.
Additionality and temporal matching requirements for renewable electricity.	<ul style="list-style-type: none">• Many respondents suggested additionality and time matching requirements for renewable electricity would be too burdensome for early-stage projects and would lead to delays in project timeframes. Some of these respondents noted the EU has recently relaxed requirements on additionality and temporal-matching for hydrogen production.• Some respondents recommended including additionality and temporal-matching requirements to prevent the diversion of renewable electricity from domestic decarbonisation goals, and to stimulate further investment in new-build renewables.

	<ul style="list-style-type: none"> Several respondents noted these requirements would create additional complexity for early-stage projects, but suggested additionality and temporal-matching should be built into the program at a later stage once the hydrogen market has matured.
End use eligibility	<ul style="list-style-type: none"> Most respondents agreed any end use should be eligible due to the infancy of the hydrogen industry, suggesting some projects would look to diversify their offtake through several varied end uses. Other respondents noted that the hydrogen market will naturally prioritise certain end uses as it develops.
Domestic vs export end use eligibility	<ul style="list-style-type: none"> Some respondents suggested the program should prioritise projects with domestic offtake as this could strengthen the domestic industry and supply chains, and lead to value-added manufacturing. Other respondents noted domestic demand alone may not be sufficient to achieve scale in the industry, and that access to export markets and international investment will be important for industry development. Most respondents agreed that if export focused projects are to be deemed eligible, these proponents should demonstrate how their project will create broader economic and social benefits for Australia, including through job creation, emissions reduction, and First Nations inclusion and engagement.
Single site deployment	<ul style="list-style-type: none"> Respondents generally agreed that to achieve the program objective of catalysing scale, projects aggregated over multiple sites (i.e., 5 x 10MW projects) should not be included. However, many noted that the definition of single site should be clarified, as many projects may have production in one location and downstream end uses in another such as ammonia production.
Upside sharing	<ul style="list-style-type: none"> Some respondents were supportive of the proposed approach, in recognition of the significant investment being made by Government. Other respondents suggested that due to the nascent nature of the industry, upside sharing could be matched with downside risk sharing. The key concern raised in relation to potential upside sharing primarily related to bankability. Respondents raised questions on the timing for when the mechanism would be triggered and how it would account for market volatility and debt repayment requirements.
Volume risk support	<ul style="list-style-type: none"> Some respondents viewed the volume risk mechanism favourably as it would allow the Government to share in potential downside risks. However, the majority of respondents suggested volume risk should be borne exclusively by proponents, and argued this risk would be mitigated by firm, long-term offtake agreements, which will be essential for project bankability and success through the Program.
Payment term	<ul style="list-style-type: none"> Key feedback was that flexibility on the commissioning date for projects would be required to ensure high merit, but later stage projects were not disadvantaged.

	<ul style="list-style-type: none"> • Some respondents indicated a longer payment term (for example 15 years) would be preferable to align with other standard project and financing timeframes. • However, it was noted that if the program retained the 10-year term it would be workable.
Quarterly Payments	<ul style="list-style-type: none"> • Generally, respondents agreed with quarterly payments, to balance cash flow with the administrative burden of reporting to Government. • Some respondents noted quarterly payments should be made based on expected production volumes, with a reconciliation against actual production volumes performed annually. This allows for seasonal variation throughout the year and reduces reporting burden.
Merit Criteria	<ul style="list-style-type: none"> • Many respondents suggested that a proponent's capacity to deliver their project, alongside an assessment of projects risks, should be key to the merit process to ensure projects can be delivered. • Several proponents suggested including in the merit criteria consideration of the extent to which a project may catalyse shared user infrastructure, or investment in new build renewable energy. • Other respondents suggested including in the merit criteria consideration as to how the project aligns with the proponent's broader decarbonisation strategy.
First Nations Engagement	<ul style="list-style-type: none"> • Many respondents agreed that the merit criteria should be strengthened to emphasise meaningful engagement with First Nations Communities, including through shared benefits, employment opportunities, or co-ownership models.
Application timing	<ul style="list-style-type: none"> • Many respondents suggested the EOI stage should be a short, efficient process. • There was a clear preference for only a small number of projects to be invited to the Full Application stage, to provide greater confidence to shortlisted applicants to proceed with project development. • Many noted a window of six months for the Full Application stage would be preferable to the proposed 12-week period.
Development cost support	<ul style="list-style-type: none"> • Many respondents viewed the development costs rebate proposal positively, noting it would encourage applicants to continue to develop projects, and improves the possibility the project would proceed even without support through the Program.

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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