

# **HYDROGEN HEADSTART**

## **FREQUENTLY ASKED QUESTIONS**

**Consultation Period – July 2023**



**Australian Government**  
**Department of Climate Change, Energy,  
the Environment and Water**



**Australian Government**  
**Australian Renewable  
Energy Agency**

**ARENA**

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# OVERVIEW

This document contains frequently asked questions (**FAQ**) regarding the Hydrogen Headstart Program (**the Program**) based on the Consultation Paper released on 7 July 2023 and the proposed competitive process which will be used to administer the Program. This FAQ list will be updated as the Program progresses. Please refer to the Program webpage at <https://www.dcceew.gov.au/energy/hydrogen/hydrogen-headstart-program> for further details.

This FAQ document should be read in conjunction with the Consultation Paper available at: <https://consult.dcceew.gov.au/hydrogen-headstart-program-consultation>. The Consultation Paper contains indicative specifications for the Program on which the Department of Climate Change, Energy, Environment and Water (**DCCEEW**) and the Australian Renewable Energy Agency (**ARENA**) are seeking feedback. These proposed specifications in the Consultation Paper and this FAQ document are indicative only and designed to stimulate discussion. They should not be taken to presuppose any final design features. The final program design will be developed from input from the consultation process and may differ to the parameters outlined in the Consultation Paper or this FAQ document.

Questions relating to the Program can be submitted by emailing [hydrogenheadstart@dcceew.gov.au](mailto:hydrogenheadstart@dcceew.gov.au). Please note both DCCEEW and ARENA reserve the right to publish any general questions and answers around the Program in this FAQ document.

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## COMPETITIVE ROUND INITIATIVE AND OBJECTIVES

### 1. WHAT IS THE PURPOSE OF HYDROGEN HEADSTART?

On 9 May 2023, the Australian Government announced it will invest \$2.0 billion through the Program 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 Program reflects a responsive approach to global market signals. International hydrogen industry support in other countries reflects strengthening international competition for early investment attraction, including the US Inflation Reduction Act, Germany's H2Global auction and the UK's hydrogen production business model.

Successful projects will be able to receive a production credit over a 10-year period to cover the commercial gap between the cost of hydrogen produced from renewables and the sales price of that hydrogen or its derivative products. The Program intends to bridge the commercial gap for early projects and put Australia on course for up to a gigawatt of electrolyser capacity by 2030 through at least 2 large-scale projects.

The Program will use a competitive process, expected to focus on cost and deliverability, to select large Australian-based projects producing either hydrogen or derivative products made from hydrogen produced from renewable energy (**Competitive Round**).

DCCEEW and ARENA are currently working in collaboration to design the Competitive Round. The initial expression of interest (**EOI**) stage is expected to open for applications in Q4 CY2023 – Q1 CY2024.

### 2. WHAT IS THE SPECIFIC FOCUS OF THE COMPETITIVE ROUND?

The Competitive Round will provide funding to projects that deliver on one or more of the following proposed targeted outcomes (**the Competitive Round Objectives**):

- Produce renewable hydrogen at scale in Australia, facilitating an accelerated pathway to the technical and commercial viability of renewable hydrogen production and use at scale in Australia.
- Support domestic decarbonisation, build industry capability and provide for new economic opportunities in our manufacturing and export industries.
- Reduce barriers for future deployments through attracting private sector capital (debt, equity & offtake).

- Develop and retain investment, skilled labour, intellectual property and supply chains for a domestic hydrogen industry.
- Provide price discovery and transparency in relation to the current and projected economics for renewable hydrogen (and its derivative products) technologies, by sharing the actual and forecast economics of applications received as part of the Competitive Round.
- Facilitate knowledge sharing throughout industry to assist with maturing the Australian hydrogen industry.

### **3. WILL THERE BE FUTURE HYDROGEN HEADSTART FUNDING ROUNDS?**

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

### **4. WHY IS THE PROGRAM FOCUSED ON LARGE SCALE PROJECTS ONLY?**

It is proposed in the Consultation Paper that the Program would be focused on large scale projects to accelerate development of Australia's hydrogen industry. The paper also specifically asks about the minimum size of projects. There are currently a number of other ways smaller scale projects can access Australian Government funding, including through ARENA's Advancing Renewable Program, and various state or territory government initiatives.

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

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

### **6. HOW MANY PROJECTS DO YOU EXPECT THE PROGRAM TO SUPPORT?**

The Program is intended to bridge the commercial gap for early projects through at least 2 large-scale projects to put Australia on course for up to a gigawatt of electrolyser capacity by 2030. The number of projects the Program could support would depend on the applications received including project sizes and funding requests.

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

### **7. IS THE \$2 BILLION ALLOCATED TO THE PROGRAM NOMINAL OR REAL?**

The 2023-24 Budget announcement of \$2 billion represents funding allocated in the Budget over 10 years from 2026-27. This figure will not change with any future changes in inflation.

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## **CONSULTATION PROCESS**

### **8. CAN WE SUBMIT OUR FEEDBACK ON THE CONSULTATION PAPER AFTER 3 AUGUST 2023?**

The due date for consultation feedback is 3 August 2023. Please note that feedback received after this date might not be able to be considered. If you would like to request an extension, please email [hydrogenheadstart@dcceew.gov.au](mailto:hydrogenheadstart@dcceew.gov.au). However, as there is no guarantee that extensions will be able to be granted it is recommended that all feedback is provided by 3 August 2023.

## 9. HOW DO I ASK QUESTIONS IN RELATION TO THE COMPETITIVE ROUND OR CONSULTATION PROCESS?

Applicants can submit questions relating to the Competitive Round by emailing [hydrogenheadstart@dcceew.gov.au](mailto:hydrogenheadstart@dcceew.gov.au). Questions should be for clarification only. DCCEEW and ARENA reserve the right to publish any such questions and answers in an updated version of this FAQ document.

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# PROGRAM ELIGIBILITY

## 10. HOW DO YOU DEFINE RENEWABLE HYDROGEN?

The Consultation Paper proposes that hydrogen production projects funded as part of the Competitive Round must be 100 per cent powered by either:

- on-site generation of renewable electricity (as defined under section 17 of the *Renewable Energy (Electricity) Act 2000* (Cth) (the **Act**), and retirement or surrender of Renewable Energy Certificates (**RECs**) (including Large Scale Generation Certificates (**LGCs**) or their equivalent) for the associated load of the project, together with evidence of such retirement or surrender in accordance with the Act;
- grid electricity where LGCs created within 12 months of the hydrogen production or other certificates eligible under the proposed Guarantee of Origin Scheme are surrendered to match 100% of electricity use;
- contracted electricity derived from a renewable Power Purchase Agreement (**PPA**) which includes rights to any retired or surrendered RECs; or
- a combination of the above.

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

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

The Consultation Paper currently proposes that there would be no requirement for time matching or location proximity for LGCs. There is currently no proposed requirement for renewable energy to be sourced from new build projects. However, the Consultation Paper seeks feedback on this requirement under the proposed eligibility criteria.

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

As proposed, the Program would support large scale renewable hydrogen production projects. Part 2 of the Consultation Paper details the renewable energy requirements for a project to be considered eligible under the Competitive Round.

Applicants are advised to refer to Section 17 of the *Renewable Energy (Electricity) Act 2000* (Cth) (available at <https://www.legislation.gov.au/Details/C2021C00554>) and Division 2.2 of the *Renewable Energy (Electricity) Regulations 2001* (Cth) (available at <https://www.legislation.gov.au/Details/F2022C00196>) for the definition of eligible renewable energy sources.

It is proposed that projects would be required to verify their renewable energy usage to remain eligible to receive a hydrogen production credit.

The Consultation Paper seeks feedback on this under the proposed eligibility criteria.

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

The Program is targeted for projects producing hydrogen from renewable sources only. Only the production of hydrogen from renewable energy will be eligible for support under the Program. If your project will produce hydrogen from different sources, we would be interested in understanding more about the project and encourage you to fill out your project details as outlined in Appendix B of the Consultation Paper.

### **14. HOW WILL THE GUARANTEE OF ORIGIN SCHEME INTERACT WITH THE PROGRAM?**

The proposal outlined in the Consultation Paper is that applicants will use the proposed Guarantee of Origin Scheme to certify the emissions intensity of the hydrogen produced by a facility to ensure requirements of the Program in relation to renewable energy are met on an ongoing basis.

### **15. WHAT IS MEANT BY A 'SINGLE SITE DEVELOPMENT'?**

The proposal outlined in the Consultation Paper is for projects to be a single site deployment. A single site development refers to the electrolyser deployment being on a single site. It is currently proposed that decentralised electrolyser deployments would not be eligible for the Project (i.e. 5 x 10MW electrolyser deployments located across Australia would not be eligible). Closely located sites for hydrogen production and conversion into derivatives may be considered a single site development. Renewable energy assets do not need to be located adjacent to hydrogen production.

The Consultation Paper seeks feedback on this requirement, and we are interested in your views.

### **16. WHAT HYDROGEN DERIVATIVE PRODUCTS ARE ELIGIBLE? ARE METHANOL OR OTHER E-FUELS ELIGIBLE DERIVATIVES?**

It is proposed in the Consultation Paper that all end uses of hydrogen or hydrogen derivative products would be eligible under the Program. The Consultation Paper seeks feedback on this under the proposed eligibility criteria.

### **17. ARE EXPORT PROJECTS ELIGIBLE?**

The Consultation Paper notes that there will be consideration of the balance between hydrogen production for export and domestic use. Applicants should consider how any proposed project would align with the Competitive Round Objectives, including through supporting the development of a domestic hydrogen industry. The Consultation Paper seeks feedback on this under the proposed eligibility criteria.

### **18. DOES THE 50MW MINIMUM DEPLOYMENT REFER TO INPUT OR OUTPUT OF THE ELECTROLYSER?**

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

### **19. CAN TRANSPORT PROJECTS SUBMIT TO THE COMPETITIVE ROUND AND INCLUDE VEHICLE CAPEX IN THEIR SUBMISSIONS?**

The Consultation Paper for the Program proposes that all end uses of hydrogen would be eligible and seeks feedback on this under the proposed eligibility criteria. However, funding would not be provided under the Competitive Round to support the upfront capital cost of vehicles or refuelling infrastructure.

### **20. WHAT FUNDING CAN OFFTAKERS ACCESS TO ASSIST WITH SUPPORTING CAPITAL OUTLAYS TO BECOME HYDROGEN READY?**

The Consultation Paper proposes that the Program would provide funding in the form of a hydrogen production credit. The application process would require key project information to evaluate the funding request and assess the contribution of the project to the Competitive Round Objectives.

There are a number of opportunities that may be available for funding applications for offtakers or other related entities:

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

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

Projects must be located in Australia. However, projects do not need to be located in a Commonwealth, state or territory government hydrogen hub region. The Consultation Paper seeks feedback on this under the proposed eligibility criteria.

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# FUNDING MECHANISM

## 22. IS THERE A MAXIMUM AMOUNT OF FUNDING A PROJECT CAN APPLY FOR?

Currently there is no proposed maximum amount of funding that a project could apply for. However, applicants should note that the total funding available under the Competitive Round is \$2.0 billion (**The Total Funding Allocation**).

As part of the application process, it is proposed that applicants would nominate a hydrogen production credit (**Production Credit**) value per kilogram of hydrogen along with a total volume cap (**Expected Total Volume**) for hydrogen to be delivered by their facility over the 10-year period. The Consultation Paper suggests that the maximum support available to a recipient would be the value of the Production Credit multiplied by the Expected Total Volume for the facility. Under this proposal, any output beyond the total volume cap would not be eligible for funding through the Program. The Consultation Paper seeks feedback on the funding mechanism.

## 23. SHOULD APPLICANTS SUBMIT A TOTAL REQUEST THAT IS NOMINAL OR REAL?

It is proposed that applicants would submit a total request on both a nominal and real basis with assumptions clearly outlined.

## 24. HOW WILL FOREIGN EXCHANGE BE CONSIDERED IN THE PRODUCTION CREDIT?

The Total Funding Allocation for the Program is \$2 billion Australian dollars, however, we understand that projects may incur costs in foreign currencies too. We are interested in hearing from stakeholders as to how they think the Program should consider foreign exchange.



## **25. HOW SHOULD PROJECTS REPORT ON OPERATING COSTS AND PRICE? HOW DO YOU VALIDATE THIS INFORMATION?**

The Consultation Paper proposes that to access payments, recipients would be required to report on the quantity of production and the emissions intensity of the hydrogen and renewable electricity use. It is proposed that this would be validated through certificates created under the proposed Guarantee of Origin Scheme.

The realised sales price and cost of production would also need to be provided, however, how this would be validated has not been considered and we would welcome industry feedback on how this could be validated.

## **26. WHAT IF PROJECTS EXPERIENCE COST ESCALATION AFTER BEING SELECTED?**

The Consultation Paper proposes that applicants note the cost confidence in their capital cost estimates at both the EOI and Full Application stage. The risk of cost escalations and the proposed contingency a project has estimated will be taken into consideration as part of the Merit Criteria. It is expected that cost overruns would be borne by the applicant.

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

The Production Credit is expected to be grant funding, however, the Program would be structured over the operational life of the project rather than a more conventional upfront capex model often seen in other grant programs. The Consultation Paper also includes mechanisms such as upside sharing and repayment terms.

## **28. WILL THE UPSIDE SHARING ARRANGEMENT TAKE INTO ACCOUNT ANY INCREASES IN PRODUCTION COSTS AND/OR REDUCTIONS IN SALES PRICE?**

Yes, it is proposed that upside would be considered as 'net' upside. If the sales price increased during the term but production costs also increased then both factors would be considered.

## **29. HOW WILL THE THRESHOLD FOR COMMENCEMENT OF UPSIDE SHARING OR REPAYMENT BE DETERMINED?**

It is proposed that the threshold would be agreed with the successful applicant as part of Funding Agreement negotiations.

## **30. IS 10 YEARS THE MAXIMUM PAYMENT PERIOD FOR THE PRODUCTION CREDIT?**

Funding is proposed to be provided by the Australian Government for a maximum of 10 years, with funding first available in 2027. The Consultation Paper seeks feedback on the term of the Production Credit.

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# **APPLICATION PROCESS**

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

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

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

Yes, there would be no limit to the number of applications that can be submitted by an individual or organisation. However, if you or an organisation intend to be part of more than one Consortium, you must be able to justify that



you will have, or be able to allocate, sufficient time and resources to all projects should they each be successful, in line with demonstrating merit against Merit Criterion B (draft criteria provided in section 9 in the Consultation Paper).

### **33. WHAT OTHER SOURCES OF FUNDING ARE AVAILABLE TO SUPPORT PROJECTS THAT DO NOT ALIGN OR ARE UNSUCCESSFUL UNDER THE PROGRAM?**

There are currently a number of ways that projects that may be ineligible or unsuccessful under the Program can access Australian Government funding. This includes through the Powering the Regions Fund or ARENA's Advancing Renewable Program, as well as through various state or territory government funding programs.

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## **ASSESSMENT PROCESS**

### **34. HOW WOULD MY APPLICATION BE ASSESSED?**

The Consultation Paper proposes that a two-stage assessment process (Expression of Interest and Full Application) would be used. Applications would be scored against the Merit Criteria outlined in the Guidelines (draft Merit Criteria provided in section 9 of the Consultation Paper) and ranked based on their score. An external advisory panel may be engaged to undertake this process.

### **35. WHAT DOES A 'COMPETITIVE PROCESS' MEAN?**

The Consultation Paper proposes a Competitive Round that would be a competitive process. Stakeholders can refer to ARENA's Advancing Renewables Program Guidelines clauses 4.27 to 4.32 for an outline of a competitive process with similar guidance expected to apply to this Program's Competitive Round.

Applications to a Competitive Round must be submitted by the specified deadlines and eligible applications will be ranked based on an assessment against the Merit Criteria.

It is proposed that applicants with the highest rankings would be offered funding, subject to:

- a portfolio approach (see Question 36 (below) for a general explanation of this term);
- proposals meeting the required standard of merit; and
- the Total Funding Allocation.

### **36. HOW WOULD PROPOSALS BE ASSESSED BASED ON A 'PORTFOLIO APPROACH'?**

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

### **37. WHAT IS THE TIMEFRAME FOR RECEIVING THE OUTCOME OF MY APPLICATION?**

An indicative timeline for the Competitive Round is noted in the Consultation Paper. We are seeking feedback on the proposed timeline.

### **38. WOULD EXTERNAL DUE DILIGENCE BE UNDERTAKEN ON PROPOSALS?**

An external due diligence provider may be engaged at any stage of the Competitive Round. Applicants would be informed if this is to occur.

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# MERIT CRITERIA

## 39. ARE ALL THE MERIT CRITERIA EQUALLY WEIGHTED?

We are interested in hearing stakeholder feedback on the Merit Criteria including whether criteria should be weighted to ensure the success of the Program.

## 40. HOW WILL EXPORT VS DOMESTIC PROJECTS BE ASSESSED? WILL ANY PROPORTION OF HYDROGEN BE REQUIRED TO BE RESERVED FOR DOMESTIC USE?

The Consultation Paper proposes that projects would be assessed against the Merit Criteria, which are still under development. Currently, there is no proposed requirement for hydrogen to be reserved for domestic use.

We are interested in hearing feedback from industry on how the Program should consider projects with proposed export offtake and the extent to which this export offtake may support the development of an Australian hydrogen industry or other additional benefits to Australia.

## 41. WILL THE PROJECT REQUIRING THE LEAST SUBSIDY WIN?

It is proposed that the Program will use a competitive process expected to focus on cost and deliverability. The proposed Merit Criteria are still under development, however, the Consultation Paper contemplates many factors beyond cost such as credibility and capability of the applicant, project scope, methodology and risk, social licence and community engagement as well as knowledge sharing. We are interested in hearing stakeholder feedback on the criteria including whether criteria should be weighted to ensure the success of the Program.

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

The Consultation Paper proposed that projects would be assessed on both cost and deliverability. The proposed Merit Criteria are still under development and we are interested in hearing feedback on the Merit Criteria including feedback on how different derivative products should be considered.

It is proposed that applicants would submit a HPC estimate that is expressed both in the form of a \$/kg subsidy required for hydrogen and a \$/kg or tonne required for the hydrogen derivatives (such as ammonia).

## 43. HOW WILL WATER AVAILABILITY, SOCIAL LICENCE, ENVIRONMENTAL IMPACTS AND OTHER ESG FACTORS BE CONSIDERED?

It is proposed that water availability, social licence and environmental impacts would be considered as part of the Merit Criteria that will be used to assess and rank applications.

Applicants would be expected to provide detail regarding the proposed source of water, water quality, estimated consumption, 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.

The Consultation Paper also proposes that exposure to modern slavery risk could also be included in the proposed Merit Criteria.

The proposed Merit Criteria are still under development and we are interested in hearing feedback on this.

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

The proposed EOI requirements are outlined in Appendix A of the Consultation Paper. Applicants would be expected to outline the level of project technical definition and the status of front-end engineering and design (**FEED**), along with total project cost estimates to a confidence level of +/-30%. We are seeking stakeholder feedback on these requirements to understand if they seem reasonable or may prove challenging to provide.

It is not proposed that an application would automatically be deemed unsuccessful if all requirements outlined in Appendix A of the Consultation Paper are not met at EOI stage. However, it is recommended that all mandatory documentation and available relevant additional information is provided to adequately demonstrate merit against the Merit Criteria.

#### **45. WHAT EVIDENCE OF OFFTAKE DO YOU EXPECT AT THE EOI STAGE?**

The proposed EOI requirements are outlined in Appendix A of the Consultation Paper. Applicants would be expected to provide a Memorandum of Understanding (**MOU**) with a third party for offtake that specifies timing, volume, price and any specific conditions. We are seeking stakeholder feedback on these requirements to understand if they seem reasonable or may prove challenging to provide.

Ultimately, we anticipate that an executed offtake agreement would be required prior to execution of a funding agreement under the Program.

#### **46. WHAT IS MEANT BY A COMMERCIALISATION PATHWAY ANALYSIS?**

The Consultation Paper proposes that applications should include a view on how their proposed 'first of a kind' project will support a cost reduction, or improved financing terms on future 'second of a kind' projects. Key learnings provided by the project should demonstrate how the project would contribute to both domestic and international uses of hydrogen becoming closer to commercialisation (and accordingly requiring less concessional funding).

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

There is currently no proposed restriction on a project's ability to access other concessional funding, including state or territory government funding, exemptions from transmission charges or international funding (including subsidies for the purchase of hydrogen or derivative production).

The Competitive Round is expected to focus on both cost and deliverability. The proposed Merit Criteria are still under development, however, the cost competitiveness and efficiency of the project would consider all forms of concessional funding in the calculation of competitive metrics and the assessment will ensure that the project only receives the total level of subsidy (considering all sources) that is required to allow the project to proceed. We are interested in hearing feedback on the proposed Merit Criteria.

#### **48. WHAT DOES CAPACITY FACTOR % MEAN?**

Capacity factor refers to the average utilisation of the electrolyser over the course of a normal year of operation.

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

The Consultation Paper contemplates local content in the proposed Merit Criteria, as well as additional impacts of projects including job creation, training opportunities and other community benefits. The proposed Merit Criteria are under development and we are interested in feedback on the criteria.

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## **COMPETITIVE ROUND TIMELINE**

#### **50. HOW WILL THE PROGRAM ENSURE THAT TAXPAYER DOLLARS ARE USED TO GET THE BEST VALUE FOR MONEY?**

The Consultation Paper proposes that a competitive process with clearly defined Merit Criteria would be run to ensure this funding is delivered to the highest merit, lowest risk projects. We are seeking stakeholder feedback to ensure the merit and assessment criteria are structured to do this.

## **51. WHEN ARE PROJECTS REQUIRED TO BE OPERATIONAL?**

There is no proposed requirement for when projects would need to be operational.

The Consultation Paper proposes that upon award of funding, projects would be required to agree to a development timeline and provide monthly confirmation that the project remains on track to reach financial close and commissioning by the proposed dates, otherwise an offer of funding may be withdrawn.

Projects that have a more timely proposed financial close and commissioning timetable may be assessed as higher merit based on the proposed Merit Criteria. The timetable should be developed to provide an expected timing of key development events supported with firm internal and external evidence.

## **52. WHAT HAPPENS IF MY PROJECT ISN'T OPERATIONAL UNTIL 2029, WILL I ONLY BE ABLE TO ACCESS 8 YEARS OF FUNDING?**

The Consultation Paper proposes that funding for the Program is for 10 years, available from FY2027 with funding to be paid from the commissioning date of the project which may be beyond FY2027, noting though that the final design and timing of the Program is subject to change following final approval from the Australian Government. The Consultation Paper notes that projects with a more timely financial close and commissioning date may be viewed as higher merit. We are interested to understand the proposed timing of your projects and would encourage potential applicants to submit a response to Appendix B of the Consultation Paper.

## **53. HOW WILL THE PROGRAM MINIMISE THE CHANCES OF FUNDED PROJECTS FAILING?**

We are anticipating that more projects would be invited to submit a Full Application following the EOI stage than could be supported with the Total Funding Allocation of \$2 billion. This would ensure that projects with the highest chances of successfully reaching FID are taken through for assessment at the Full Application stage.

## **54. WHAT IF A PROJECT FAILS AFTER BEING AWARDED FUNDING?**

Upon award of funding, projects would be required to agree to a development timeline and provide monthly confirmation that the project remains on track to reach financial close and commissioning by the proposed dates, otherwise any offer of funding may be withdrawn.

Extensions to the proposed dates may be provided if the applicant is working diligently and reasons for delays are considered reasonable.

If a previous offer of funding is withdrawn, that funding may be offered to an alternative high merit project.

## **55. INDUSTRY IS READY TO GO NOW, WHY CAN'T THE PROGRAM OPEN FOR EOIS NOW?**

The Program needs to be designed appropriately to ensure it is meeting its policy objectives, is fit for industry, has robust governance arrangements, and will achieve value for the Australian taxpayer.

We want to understand the pipeline of projects that are under development and your views on the timeline of the Program. Please fill out Appendix B of the Consultation Paper online to help us understand the status and timeline of your project(s) so we can best design a program fit for industry.

Further information is available at:

<https://consult.dcceew.gov.au/hydrogen-headstart-program-consultation>

Or by emailing:

[hydrogenheadstart@dcceew.gov.au](mailto:hydrogenheadstart@dcceew.gov.au)

### **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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**ARENA**



Australian Government  
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Energy Agency



Australian Government  
Department of Climate Change, Energy,  
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