



UK HFCA

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Dear colleague

## UK HFCA response to 'Hydrogen Business Model and Net Zero Hydrogen Fund: Market Engagement on Electrolytic Allocation'

I am writing on behalf of the UK Hydrogen and Fuel Cell Association (UK HFCA) in response to your report "Hydrogen Business Model and Net Zero Hydrogen Fund: Market Engagement on Electrolytic Allocation". The UK HFCA is the largest and longest running pan UK hydrogen focused association, dedicated to supporting stakeholders across the entire value chain of both the Hydrogen sector and the Fuel Cell industry. Our members represent over 200,000 employees globally, with combined revenues over £400 billion, and cover the entire value chain from raw material sourcing, to supply chain and components, financing, professional services, B2B and consumer facing solutions. With over 15 years of experience, the UK HFCA is a leader in advocating for and accelerating the transition to Net Zero in the UK through the deployment of hydrogen & fuel cell solutions. We promote and represent our members' interests across the hydrogen and fuel cells space, and campaign for the best policy outcomes for the industry across the full range of applications and opportunities.

This response from the UK HFCA will cover the following two questions:

- 1. Do you agree with the proposed eligibility criteria for the first 2022 HBM/ NZHF electrolytic allocation round? Yes/ No/ Don't know. If not, please explain why.**
- 2. Do you agree with the proposed evaluation criteria for the first 2022 HBM/ NZHF electrolytic allocation round? Yes/ No/ Don't know. If not, please explain why.**

**Q 1) Do you agree with the proposed eligibility criteria for the first 2022 HBM/ NZHF electrolytic allocation round? Yes/  No/ Don't know.**

The proposed eligibility criteria contain ten requirements for projects accessing either the HBM / NZHF round. To broaden the pool of potentially eligible projects and attract as many applicants as possible, the UK HFCA recommends amendments across three of these ten requirements:

- Minimum hydrogen production capacity of 5MW
- Has identified at least one off-taker
- Commercial Operational Date of end of 2025



## **Has a minimum hydrogen production capacity of 5MW**

The UK HFCA accepts the 5MW minimum hydrogen production capacity for HBM / NZHF and HBM only projects. However, we recommend that this include aggregations of smaller projects that together amount to 5MW in a single proposal. At this early stage of electrolytic hydrogen production roll out, allowing smaller grouped projects to apply for funding will extend the number, type and range of producer / off-take combinations that can be covered whilst spreading the burden of CFD contractual arrangements. For example, five 1MW project sites could be grouped into a single 5MW application to supply several regional bus depots.

Looking beyond that, to projects seeking NZHF funding only, we believe that the 5MW limit would be unhelpful.

## **Has identified at least one off-taker**

The UK HFCA agree with the requirement for projects to have identified at least one off-taker when applying for HBM / NZHF and HBM only funding.

Beyond this, for those seeking NZHF only funding the UK HFCA recommends that no such requirement be in place. The requirement that at least one off-taker be identified may pose as a barrier to establishing smaller electrolytic hydrogen projects by 2025. Furthermore, avoiding this requirement may encourage development of off-taker projects following confirmation that a hydrogen production facility will be available in a given region.

## **Has a commercial Operational Date of end of 2025**

The UK HFCA would welcome the amendment of this requirement to “under construction by end of 2025”. This change would give project owners a slightly larger window to navigate planning, legal and supply chain factors associated with their projects. Regarding the timeline leading up to 2025, the UK HFCA is concerned to see more clarity on the proposed milestones in the Business Model contract, as these will be crucial to the use of the model in early projects. We would welcome the opportunity to discuss BEIS’ aspirations in these areas and how they can best be met by industry.

In addition, we recommend an increase in the time given for a project owner to reach FID; whilst this market engagement sets out a period of 3 months, 12-month timeframes have been specified in power markets. For a new technology such as hydrogen, increasing the FID time-line will be critical to ensuring that project owners have sufficient time to navigate the process, and that viable projects are not terminated prematurely.

## **Q 2) Do you agree with the proposed evaluation criteria for the first 2022 HBM/ NZHF electrolytic allocation round? Yes/ No/ Don't know.**

Whilst we do not propose any changes to the weightings of evaluation criteria laid out in the document, we would welcome clarity on both additionality and the decision-making process.



## **Additionality**

While additionality accounts for only 5% of the scoring, the UK HFCA would welcome further detail. In particular, must projects prove 100% additionality to achieve the full 5% or, if a lower level of additionality were demonstrated, could they still be awarded some points in this category?

## **For BEIS evaluators, are there guidelines and, if so, what are these?**

Further explanation as to this discretionary aspect may aid applicants in understanding the likelihood of their project receiving support from BEIS through these funds. The evaluation criteria do not mention, for example, the importance of the type of off-take, where an industrial off-taker may be more or less favoured than a bus fleet, for example. The UK HFCA would like to understand the areas in which the discretion of evaluators will be used to determine funding awards, as there may come the situation where a number of projects score similar high scores and the award decision may be determined by discretionary factors unknown to the applicant. This will ensure all projects are evaluated equally and transparently. We would welcome the opportunity to work with you on developing any guidance for assessors.

## **Concluding comments**

The UK HFCA calls for BEIS to broaden the proposed eligibility criteria in order to encourage the maximum number of applications to this allocation, and to provide further detail on the evaluation process and what will make a successful proposal.

We would welcome the opportunity to discuss our recommendations and look forward to the next steps in this process.

Yours faithfully

**Celia Greaves**  
CEO