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CLIMA.C.2 – Low Carbon Solutions (II): Research & Low Carbon Technology Deployment

Innovation Fund IF25 Hydrogen Auction

Draft Terms and Conditions

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I. Background and auction objectives

The Innovation Fund is one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies and processes. The Innovation Fund aims to demonstrate and commercialise industrial solutions to decarbonise support Europe's transition to climate neutrality. It is funded by revenues from the European Union Emissions Trading System (EU ETS).

The revision of the ETS Directive in 2023 introduced the possibility of using competitive bidding procedures (i.e. auctions) to award Innovation Fund funding. The objectives of using auctions are fourfold:

1. A cost-efficient way of distributing financial support. Auctions-based support mechanisms have been a significant instrument in the power sector in many Member States[1], bringing down the support costs for renewable electricity by magnitudes.

2. Price discovery and market formation. Auctions can reveal the "real" cost of certain activities or products if there is sufficient competition. This creates valuable data points for the public sector but also helps to create markets where there are none yet, by providing vetted price points.

3. De-risking projects and leveraging private capital.

4. Reducing administrative burden for projects developers and contracting authorities.

As announced in the Clean Industrial Deal, the Commission will launch a **third auction** under the European Hydrogen Bank by the end of 2025. The proposed budget is **up to EUR 1.1 billion**, allocated across **three topics**:

- **Topic #1**: topic with a suggested budget of **EUR 400 million,** to support the production of RFNBO[2] hydrogen *and/or* electrolytic low carbon hydrogen[3];

- **Topic #2**: topic with a suggested budget of **EUR 400 million**, to support the production of **RFNBO** hydrogen;

- **Topic #3**: topic with a suggested budget of **EUR 200 million**, to support the production of RFNBO hydrogen and/or electrolytic low carbon hydrogen, restricted to projects supplying the maritime sector.

The Innovation Fund considers increasing the budget of Topic #3 by an amount equal to contributions made by EEA countries to the Auction-as-a-Service feature for that specific topic, up to a maximum additional amount of EUR 100 million. Member States have to confirm their contributions no later than November 1st.

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[1] *Competitive auctions are recommended under the Guidelines on State aid for climate, environmental protection and energy (CEEAG): https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2022.080.01.0001.01.ENG&toc=OJ%3AC%3A2022%3A080%3ATOC.*

[2] *Renewable fuels of non-biological origin, following the definitions of the Renewable Energy Directive (Directive (EU) 2018/2001, amended in Directive (EU) 2023/2413) and its Delegated Acts.*

[3] *Following the definitions in Directive (EU) 2024/1788 and its Delegated Regulation (C(2025) 4674 final)*

With the RePowerEU Plan[4], the European Commission explicitly states renewable hydrogen uptake as a central measure to reduce fossil fuel consumption in hard-to-abate industrial and transport sectors. The commitment continues in the Clean Industrial Deal communication[5]. Further, the Clean Industrial Deal recognises that low-carbon fuels such as low-carbon hydrogen will be required to contribute to rapidly reduce emissions and to support the transition of the Union's customers in hard-to-decarbonise sectors in which more energy or cost-efficient options are not readily available.

In November 2023, a pilot auction was launched by the Innovation Fund to support RFNBO hydrogen producers located in the European Economic Area ("EEA"), allocating a fixed premium support in EUR / kg of RFNBO H2 produced during a maximum period of 10 years. The auction closed on 8 February 2024 and received 132 bids from 17 countries. Six projects were awarded, resulting in a clearing price of 0.48 EUR / kg of RFNBO H2 and a total support requested amount of EUR 694 million. On 3 December 2024, a second auction opened. First results were published on 20 May 2025 (projects invited for grant agreement preparation, "GAP"), resulting in 12 projects selected under a general topic with a clearing price of 0.6 EUR/kg, and 3 projects selected under a maritime topic with a clearing price of 1.88 EUR/kg. A final list of signed projects, including potential additional projects from the reserve list in case of drop-outs during GAP will be published in September 2025.

The first two auctions already enabled Member States to use the auction "as-a-Service" feature, i.e. enabling them to allocate additional national funds through the EU-wide auction mechanism. This feature will again be in place for the IF25 H2 Auction. Through the "Auctions-as-a-Service" feature, EEA countries can use their own resources to award support to projects located in or delivering hydrogen to their territory while relying on the Innovation Fund's EU-wide auction mechanism to identify the most competitive projects. This avoids fragmentation of public support at the early stage of hydrogen market formation in Europe while facilitating administrative procedures and State-aid clearance as national support follows the design of the Innovation Fund's auction. For the first pilot auction, Germany participated in Auctions-as-a-Service with a budget of EUR 350 million, and in the second auction, Spain, Austria and Lithuania contribute with jointly up to EUR 836 million.

II. Overview of auction design elements for the third Innovation Fund hydrogen auction

Based on the large oversubscription of the previous auctions, the European Commission will open a third auction to support RFNBO and/or electrolytic low-carbon hydrogen producers with an estimated total budget of up to EUR 1.1 billion. IF support will take the form of a fixed premium payment upon verified and certified production of hydrogen for a maximum period of 10 years.

This support is still needed for the sector, as projects are not being carried out without public support given the gap between their costs of producing RFNBO and/or electrolytic low carbon hydrogen and the market price. Innovation Fund support will be allocated through an open competitive bidding procedure that will ensure a proportionate remuneration of the projects funding gap.[6] The ranking of proposals will directly reflect the environmental benefits the scheme aims to achieve, as displacing fossil fuels and products made using fossil-based hydrogen with the use of the RFNBO and/or electrolytic low-carbon hydrogen produced under the instrument will directly reduce GHG emissions.

This document presents the *Draft* Terms and Conditions ("Draft T&Cs") on which the design of the third Innovation Fund Auction for Hydrogen (**IF25 H2 Auction**) will be based[7]. Following written consultation of these Draft T&Cs, feedback from key stakeholders will be gathered. Further discussions between the Commission's services will take place and feedback incorporated into the final design of the auction to be launched Q4 2025. The

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4 *REPowerEU Plan (COM/2022/230 final)*

5 *Clean Industrial Deal (COM/2025 85)*

6 *This assessment is made based on the results of the pilot auction (IF24 Auction) which can be consulted on the following link: https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/calls-proposals/if24-auction_en*

7 *Only the forthcoming call for proposals and its annexes (the call documents) are binding on the Commission. The call documents will be authoritative in the event of any discrepancy with the present document.*

Final Terms & Conditions will be made public only at the moment of opening the call by the end of the year, as part of the call text itself.

To ease orientation, the design elements are presented in five categories:

1. general auction design elements (2.1)
2. qualification requirements (2.2 together with section III on mandatory documents)
3. auction procedure (2.3)
4. rights and obligations (2.4)
5. auction framework conditions (2.5)
6. rules on combination of public support (Section IV)

2.1 General auction design elements

Table 1: Overview of design elements for the IF25 H2 Auction - general design

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
1.0	Objective of the auction	To cost-efficiently support the production of renewable fuels of non-biological origin (RFNBO) hydrogen and/or electrolytic low carbon hydrogen within the EEA and thus contribute to achieving security of supply of essential goods and to Europe's industrial leadership and competitiveness in the hydrogen sector.	Expansion of the objective to also support electrolytic low-carbon hydrogen
1.1	Auctioned good	RFNBO hydrogen and/or low carbon hydrogen produced from water electrolysis in line with requirements put forward in the Renewable Energy Directive (Directive (EU) 2018/2001) and its Delegated Regulations (EU) 2023/1185 and 2023/1184, as well as Directive 2024/1788[8] and its Delegated Regulations. The RFNBO and/or electrolytic low carbon hydrogen needs to be produced by *new* production capacity (i.e. capacity for which at the time of application start of works[9] did not yet take place) in order to ensure an incentive effect of the subsidy.	Expansion of the auction's good to both RFNBO and/or electrolytic low-carbon hydrogen. In the light the stakeholder comments responding to the consultation of this Draft T&Cs, further discussions between the Commission's services will take place before the final text of the auction call will be published by the end of 2025.
1.2	Constraining value	The total available Innovation Fund budget for each topic is the constraining value of the auction and is known in advance, • For topic#1: EUR 400 million, to support the production of RFNBO hydrogen and/or production of electrolytic low carbon hydrogen • Topic#2: EUR 400 million, to support the production of RFNBO hydrogen • For topic#3: EUR 200 million, to support the production of RFNBO hydrogen and/or electrolytic low carbon hydrogen, restricted to projects supplying the maritime sector.	New budgets, new topic distribution.

8 *The Hydrogen and Gas Market Directive (EU) 2024/1788 defines low-carbon hydrogen as hydrogen derived **from non-renewable sources** that meets a GHG threshold of 70 %.*

9 *The first firm commitment (equipment or starting construction) making an investment irreversible. Buying land and preparatory works (e.g. obtaining permits and conducting preliminary feasibility studies) are not considered as start of works.*

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
		The Innovation Fund considers increasing the budget of Topic #3 by an amount equal to contributions made by EEA countries to the Auction-as-a-Service feature for that specific topic, up to a maximum additional amount of EUR 100 million. Member States have to confirm their contributions no later than November 1st. The total hydrogen volume for which support will be awarded derives from the total available budget and the individual bids with their respective bid prices and volumes.	
1.3	Support type	Output-based support (payment per unit of verified and certified production of RFNBO hydrogen and/or electrolytic low carbon hydrogen).	Support also covering the production of verified and certified electrolytic low-carbon hydrogen in a dedicated topic.
1.4	Reference price	No reference price needs to be defined for a fixed premium auction.	No change
1.5	Support form	Fixed premium	No change
1.6	Safeguards against over-subsidisation	Ensuring competition through market testing, total available budget, a ceiling price, and feedback on the level of competition from one round to another. No claw backs concerning over-subsidisation situations	No change
1.7	Ranking of bids	Price-only ranking	No change
1.8	Bid components	Bid price (which will correspond to the fixed premium if the project is selected): 1) For all topics: **unit price** in EUR/kg of RFNBO and/or electrolytic low carbon hydrogen production (basis for ranking of bids), expressed with two digits after the comma. Projects will bid with a single price for hydrogen production, which should serve for both RFNBO and/or electrolytic Low Carbon hydrogen 2) Expected average **yearly volume** of RFNBO and/or electrolytic low carbon hydrogen production in kg per year over a 10 years production period. The maximum grant amount is therefore calculated as: $\left[Bid\ price\ in \frac{€}{kg}\right] * \left[expected\ average\ yearly\ volume\ in \frac{kg}{year}\right] * 10\ years$ The project will need to clearly state in its bid the estimated volumes of each RFNBO hydrogen and electrolytic low-carbon hydrogen, where applicable. 3) The new **electrolyser capacity** in MWe that will be installed and verified as being operational by the time of entry into operation.	Expanded bid components aligned with new topic
1.9	Production flexibility rules	Semi-annual production can be increased up to 140% compared to half of the expected average yearly volume of respectively RFNBO or low carbon electrolytic hydrogen production as stated in the bid (see point 1.8). Semi-annual production beyond 140% will not be supported by grant payments. The total grant amount is restricted to 100% of the maximum grant amount. See points 4.2 on severe underperformance and 4.3 on semi-annual payment schedule.	Production flexibility rules apply respectively to each of the sub-volumes of RFNBO and electrolytic low carbon hydrogen
1.10	Grant duration	The grant duration will end ten years after the Entry into Operation of the project, unless the total RFNBO and/or low carbon	Volumes of hydrogen include RFNBO and/or low carbon

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
	(disbursement period)	electrolytic hydrogen production volume as stated in the bid is reached earlier, due to the production flexibility rules (see line 1.9). See also point 4.2 on grant agreement termination.	electrolytic hydrogen, where applicable
1.11	Indexation of support	No indexation.	No change
1.12	Auction topics/baskets	There will be three topics: • Topic #1: topic with an estimated budget of EUR 400 million to support the production of RFNBO hydrogen and/or production of electrolytic low carbon hydrogen; • Topic #2: topic with an estimated budget of EUR 400 million to support the production of RFNBO hydrogen; • Topic #3: topic with an estimated budget of EUR 200 million to support the production of RFNBO hydrogen and/or production of electrolytic low carbon hydrogen, and restricted to projects with off-takers in the maritime sector For Topic#3: An off-taker will be considered to belong to the maritime sector if it is either bunkering fuels in ports within the EEA (e.g. port authorities or oil and gas companies bunkering in the EEA), or receiving bunker fuels from EEA ports (e.g. a shipping company). If a portion of the resources remains unawarded, the Commission may redistribute them between the call topics. For more information on the clearing mechanism, please refer to point 3.7.	New topics structure
1.13	Method to estimate the subsidy per ton of CO2e abated (for Innovation Fund reporting only)	The subsidy per tonne of CO2e abated will be calculated by CINEA and does not have to be provided by the applicant. It is not part of the evaluation and calculated for reporting purposes only. For renewable hydrogen, the expected CO2e abatement will be calculated using the 2021-2025 ETS benchmark of 6.84 t_CO2e/t_H2. This is a conservative estimate as it is not taking into account additional carbon abatement due to substitution effects in the RFNBO hydrogen end use application. For electrolytic low carbon hydrogen production, the expected CO2e abatement will be calculated as 70% greenhouse gas emission reduction compared to the fossil fuel comparator of 94 g CO2e/MJ (the minimum requirement to qualify as low-carbon hydrogen).	Inclusion of an estimation for GHG emissions for electrolytic low-carbon hydrogen
1.14	Resilience related requirements for the electrolyser	A streamlined approach is implemented: I. sub-criterion under “relevance” criterion: Under the ‘relevance’ criterion (see in line 2.1) a sub-criterion (with pass/fail assessment): “Achieving security of supply of essential goods and contribution to Europe’s industrial leadership and competitiveness”, in line with the objectives of Net Zero Industry Act (NZIA) for the EU manufacturing capacity of net-zero technologies (for the purpose of this auction, electrolysers) to meet at least 40% of the EU’s annual deployment needs by 2030. This criterion is now aligned with Article 7(3) of the NZIA Implementing Regulation specifying the pre-qualification and award	Alignment with the NZIA Implementing Act (C(2025) 2900). Simplification on some elements of previous resilience criteria (e.g. no need to demonstrate compliance with ISO standards, less information gathering requirements) considering that the remaining elements fulfil the objectives sought.

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
		criteria for auctions for the deployment of energy from renewable sources.[10] To fulfil this sub-criterion, projects have to: **I. contribute to a diversified supply chain and avoid building dependency on a single third country which may threaten the security of supply of electrolysers**. Having regard to the current and projected global and EU supply and demand trends for electrolysers, including the fact that Chinese production capacity is already more than 50% of global production and the projected hydrogen production in China surpasses by far its domestic 2025 target and foreseeable global demand[11], it is assessed that there is a significant risk of increased and irreversible dependency of the EU on imports of electrolysers originating in China, which may threaten the EU's security of supply. Thus, special measures are justified in this nascent industry, contributing to the objectives of the Net Zero Industry Act. In order to fulfil this criterion, at least 75% of the electrolysers[12] included in the project must originate in a country different than People's Republic of China[13]. For those at least 75% of the electrolysers: • Stacks must originate in a country different than the People's Republic of China. • No more than two of main specific components[14] originate in the People's Republic of China (stacks cannot count for these two components). A proposal will pass this sub-criterion if it can demonstrate a contribution underpinned with evidence (e.g. MoU/Letter of Intent with electrolyser manufacturer stating the intended origin of the electrolysers and their components, notably stacks). Compliance with the claims made at application will be monitored during implementation. At the Financial Close and at the Entry into Operation projects will have to report on intended/actual origin of the electrolysers and their components. At the end of the implementation, projects will have to report how they fulfilled the claims made under the "Achieving security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness" sub-criterion (see Section 2.2). Penalties (reduction of grant or even termination) apply in case the claims were not fulfilled (see section 4.2). The planned origin of electrolysers of successful bidders (as indicated in the strategy) will be published. Further data from those strategies (of successful and unsuccessful bids) and analysis from it may be published where anonymisation is guaranteed	

[10] C(2025) 2900 final

[11] *Around 10 GW by 2025 (source: Bloomberg New Energy Finance)*

[12] *With "electrolysers" the individual devices, not the entire plant is meant.*

[13] *If project installs only one electrolyser device then this device cannot originate in the People's Republic of China*

[14] *List of specific components is defined in C(2025) 9033 final. For electrolysers the following specific components are listed:*

– *For Alkaline electrolysers (AEL): Stacks, Separators (diaphragm or membranes tailored for water electrolysis), Bipolar plates and end plates, Electrodes.*

– *For Proton exchange membrane electrolysers (PEMEL): Stacks, Membrane electrode assemblies (3-layer) / catalyst-coated membranes, Porous transport layers / gas diffusion layers, Bipolar plates and end plates.*

– *For Anion exchange membrane electrolysers (AEMEL): Stacks, Membrane electrode assemblies (3-layer) / catalyst-coated membranes, Porous transport layers / gas diffusion layers, Bipolar plates and end plates.*

– *For Solid-oxide electrolysers (SOEL): Stacks, Electrolyte and electrodes, High-temperature gaskets / sealings, Interconnectors / meshes and end plates.*

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
		II. Compliance with cybersecurity requirements: present a cybersecurity plan outlining how, in order to ensure the security of the installation, the operational control of the installation remains within an entity established in the EEA and the data are stored within the EEA. This requirement must be complied with at the moment of the Entry Into Operation. If they are not fulfilled, the grant agreement will be terminated and completion guarantee called. **III. Foreign Subsidy Regulation, State aid rules and trade defence instruments apply** Internal market distortions caused by foreign subsidies (or incompatible State aid granted by Member States), or imports being unfairly subsidised or dumped on the EU market, may be investigated under the EU's Foreign Subsidies Regulation (or EU State aid rules) or EU trade defence investigations, respectively.	
1.15	Auction-as-a-Service	Auction-as-a-Service mechanism is open to all EEA States	No change
1.16	Do-Not-Significant Harm ("DNSH") criteria	Article 10f of the Directive 2003/87/EC ('ETS Directive') provides that from 1 January 2025 revenues destined for the Innovation Fund should be used in accordance with the DNSH principle set out in Article 17 of Regulation (EU) 2020/852. Therefore, all proposals submitted to the Innovation Fund will be assessed for their compliance with the 'do no significant harm' Technical Screening Criteria (TSC) set in the Climate Delegated Act. For the IF25 H2 Auction, these criteria may be assessed as follows: 1] At the moment of evaluation: • Self-declaration by the applicant that its project will be in compliance with the DNSH Technical Screening Criteria (TSCs) set out in the Climate Delegated Act for the Manufacture of Hydrogen during the entire implementation period. • Provide a DNSH Compliance Strategy explaining how the project will credibly ensure compliance with DNSH requirements for each of the Technical Screening Criteria (TSC) for the manufacture of hydrogen (see Annex III) 2] At the moment of financial close, the project will, besides approved environmental permits, provide the necessary documents demonstrating compliance with the Technical Screening Criteria relevant for the production of hydrogen. 3] At the end of the implementation period the project will submit documents demonstrating that the project complied with the DNSH requirements during all implementation periods.	New criteria during evaluation: Projects will be assessed against compliance with Do-Not-Significant-Harm (DNSH) criteria.

2.2 Qualification requirements.

Bidders need to fulfil qualification requirements to have their bids ranked. Qualification aims to ensure that bidders are capable of implementing the project, the project is sufficiently advanced to be implemented in time, and to prevent speculative bidding. The following table lists the qualification requirements for the IF25 H2 Auction. Qualification requirements will be assessed on a Pass/Fail basis.

Table 2: Overview of design elements for the Innovation Fund competitive bidding mechanism – qualification requirements

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
2.1	Qualification requirements	For further details on qualification requirements, see section III of the Terms & Conditions**.** *Admissibility:* • Strict respect of submission deadlines, use of forms provided through the Funding and Tenders Portal, and compliance with presenting all required documentation (Application Forms), together with mandatory documents and supporting documents (see section III). *Eligibility:* • Proposals must relate to projects located in the EEA. • Project and budget size in the limits expressed in point 2.3 • The bid amount may not exceed the ceiling set in point 3.6 • Compliance with legal entity checks (compliance with EU exclusion situation limitations (default, prosecution, etc). All beneficiaries will have to be validated. • No geographical limitation on origin of members of the consortium. • Signed required self-declarations, see section III of the Terms & Conditions (also part of Application Form Part B) • Self-declaration that the project will have, at moment of Entry into Operation, a cybersecurity plan outlining how the operational control of the installation will remain within an entity established in the EEA and the data will be stored within the EEA in order to ensure the security of the installation. The operational control and the data used for or generated in the installation, remains within the EEA *Relevance and Quality.* • The proposals will be evaluated on a pass/fail basis on relevance (including their contribution to achieving security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness), technical, financial, and operational maturity assessed based on the documents listed in section III of the Terms & Conditions and their description in Application Form B. After evaluation and before grant agreement signature, an additional financial capacity	Projects that have already been awarded funding under the Innovation Fund and/or other EU funding will be rejected in this auction. Simplification of some aspects of resilience criteria (e.g. compliance with technical standards).

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
		check will be made, to ensure that applicants have stable and sufficient resources to successfully implement the projects and contribute their share. Organisations participating in several projects must have sufficient capacity to implement all projects. Projects that have already been awarded funding under the Innovation Fund will be rejected in this auction.	
2.2	Completion guarantee	A completion guarantee covering 8% of the maximum grant amount (see point 1.8) will be requested from projects invited to prepare grant agreement. A letter of intent from a bank or financial institution to issue a completion guarantee for the above-mentioned amount will be required as part of the proposal. A template will be made available and will have to be used (no changes to the template are allowed). The completion guarantee should be in euro and issued by an approved bank/financial institution (with the following minimum rating from at least one of these rating agencies: BBB- from S&P or Fitch, Baa3 from Moody's or BBB (low) from DBRS) established in an EEA. This completion guarantee must be able to be called on first demand by the granting authority if the project (i) does not reach financial close within 2.5 years, or (ii) does not reach approved entry into operation within 5 years after signing the grant agreement (see point 4.1). The completion guarantee shall be issued at the latest two months after receiving the evaluation result letter inviting the selected applicants for grant agreement preparation. It shall be valid from the date of issuance until six months after the maximum time to entry into operation (i.e. after verification that the electrolyser capacity stated as part of the bid production capacity is operational). The duration of the completion guarantee is expected to be at least 5 years and 11 months. A template will be made available and will be mandatory. Entry into operation will only be accepted if compliance cybersecurity requirements referred to in line 2.1 is demonstrated. If entry into operation is reached earlier, the guarantee can be released earlier. The enforcement of completion guarantees is further explained in point 4.2.	No change
2.3	Minimum or maximum restriction for project size and for bid volume	Maximum grant amount restriction for each bid applies: EUR 200 million in all topics Minimum project size requirements: 5 MWe of newly installed electrolyser capacity (which	Maximum bid amount to EUR 200 million

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested change from IF24 Auction
		must be in a single location; virtual pooling of capacity is not permitted).	
2.4	Off-taker restrictions	No off-take restrictions in Topic#1 and Topic#2. However, limitations apply within the Topic#3. Please refer to line 1.12	New topics
2.5	Regulations for transporting hydrogen	Infrastructure costs can be priced into the bid but there is no explicit mechanism to offset comparative disadvantage of projects with infrastructure costs.	No change
2.6	Consideration of "General measures"[15]	See section IV of the Terms & Conditions on combining support under auction with other public support.	No change
2.7	Combining support under auction with other public support for hydrogen producer	See section IV of the Terms & Conditions on combining support under auction with other public support.	No change on substance – improved clarity of requirements. See section IV.
2.8	Combining support under auction with other public support for hydrogen off-taker	See section IV of the Terms & Conditions on combining support under auction with other public support.	Revision of combination rules for the consumer.
2.9	Exclusion of cross-subsidisation of "grey" hydrogen	Beneficiaries will need to provide certification that the total volume of hydrogen produced by the supported capacity achieves at least 70% GHG savings following the rules set out in the Commission Delegated Regulation (EU) 2023/1185 (on average during the disbursement period of the scheme). The certification will be required as a deliverable for the last work package (independent third-party certificate or audited reports).	No change

2.3 Design elements defining the auction procedure

Table 2: Overview of design elements for the Innovation Fund competitive bidding mechanism - auction procedure

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen Auction	Suggested change from IF24 Auction
3.1	Competitiveness of the process	The key rules ensuring competitiveness of the process are: No discrimination against participants in auction. Transparency on requirements and sufficient lead times to prepare bids. No ex-post adjustments of auction rules.	No change
3.2	One-stage or two-stage auction	One-stage.	No change

[15] *e.g. green premium stemming from regulations*

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen Auction	Suggested change from IF24 Auction
3.3	Auction type	Static auction.	No change
3.4	Pricing rules	Pay-as-bid.	No change
3.5	Minimum prices	No minimum price.	No change
3.6	Ceiling prices	Disclosed ceiling price: 4 EUR /kg of hydrogen produced as a maximum bid price. The same ceiling price applies to all topics in the auction.	No change
3.7	Clearing mechanism and marginal bid	Proposals will be first ranked according to their bid price from lowest to highest. Those proposals whose maximum grant amounts fit within the Innovation Fund budget, and the proposals necessary to fill the reserve list, if any, will be assessed against the award criteria of 'Relevance' and 'Quality', on a pass/fail basis. Remaining proposals will be rejected. They will not be evaluated against the 'Relevance' and 'Quality' award criteria. The last proposal proposed for funding that exceeds the call budget will be added to the reserve list. The Innovation Fund may consider increasing the budget of Topic #3 by an amount equal to the contributions made by EEA countries to the Auction-as-a-Service feature for that specific topic, up to a maximum additional amount of EUR 100 million.	Possible expansion of budget of Topic#3.
3.8	Tie-breaking rules	For proposals with the same bid price, a priority order will be determined according to the following approach: Successively for every group of ex-aequo proposals, starting with the lowest bid price group, and continuing in descending order: 1) Proposals with the overall smaller maximum grant amount will be preferred. 2) If this does not allow to determine the priority, proposals located in the country with fewer funds awarded previously under the Innovation Fund will be preferred. 3) If this also does not allow to determine the priority, the proposal with a shorter time until entry into operation will be preferred.	The Commission may still consider using a strong conclusive tie-breaker rule, including the possibility of a final random-draw
3.9	Minimum number of bidders	The auction volume will not be adapted to the observed participation.	No change

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen Auction	Suggested change from IF24 Auction
		The auction may be cancelled if less than two proposals are submitted.	

2.4 Design elements defining rights and obligations

Table 3: Overview of design elements for the Innovation Fund competitive bidding mechanism - Rights and obligations

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen Auction	Suggested changes from IF24Auction
4.1	Maximum time to reach financial close and entry into operation	Maximum time to reach Financial Close: 2.5 years after signing the grant agreement Maximum time to reach EiO: 5 years after signing the grant agreement.	No change.
4.2	Sanctions in case of non-compliance with support requirements	If the maximum time to reach financial close or entry into operation is exceeded, the grant agreement will be terminated, and the granting authority will call the completion guarantee described in point 2.2 A project entering into operation should be able to demonstrate as operational a nameplate capacity of at least 100% of that expressed in the bid. The entry into operation needs to be approved by the granting authority. The grant agreement may be terminated or the grant reduced if the verified and certified volumes of each respectively RFNBO or low carbon electrolytic hydrogen production falls on average below 30% of the expected yearly average volume as stated in the bid for three consecutive years. This average will be calculated over a rolling 3-year period. At the moment of entry into operation the project must demonstrate compliance with the cybersecurity requirements as defined in line 2.1 above. If not, the grant agreement will be terminated. As of financial close, at the moment of entry into operation and at the end of implementation period, the project must demonstrate that it complies with the commitments made in its application form, including those under the criteria "Achieving security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness". The project will also have to demonstrate its compliance with the DNSH criteria. Contractual sanctions (grant reduction or even termination) may apply in case the claims made at application for the above aspects were not fulfilled. If the project cannot certify that the overall total amount of hydrogen produced achieves at least 70% GHG savings (see point 2.9, the grant may be reduced at the end of the implementation period.	Change: • Update of compliance requirements for RFNBO + low carbon projects. • Projects will need to demonstrate compliance with DNSH criteria at Financial Close.

		If a project was awarded under the Topic#3 and is not able to demonstrate signed contracts for 60% of the total production volumes as stated in the bid with a maritime off-taker/s at the moment of reaching Financial Close, the project will be terminated. At the end of the implementation period, the project will have to demonstrate that 60% of the produced volumes of hydrogen were directed to off-taker/s from the maritime sector (non-compliance will result in proportional reduction of the maximum grant).	
4.3	Payment schedules	Semi-annual (every 6 months after entry into of operation)	No change
4.4	Reporting requirements	Until entry into operation, projects will have to report annually on their progress The origin of the electrolysers and their components, notably stacks will be reported at FC and EiO. At the end of the implementation period, a report on project's contribution to achieving security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness will have to be provided. After entry into operation, projects will report periodically alongside their requests for payment (i.e. for every six months of the operation). Reports will concern the verification and certification of the produced volume of RFNBO and/or low carbon electrolytic hydrogen. In these reports, projects will also have to report during implementation (i) changes in the planned off-takers, clearly stating the sector to which the new off-takers belongs and (ii) confirm that rules on combination of support are respected. At the end of the implementation period, the beneficiaries will need to provide certification that the total volume of hydrogen produced during the support period achieves at least 70% GHG savings according to the rules set out in the Commission Delegated Regulation (EU) 2023/1185 (calculated and certified at the end of the support period). Certification can be provided by a third party or through audited reports. Projects will also need to report on their compliance with the DNSH criteria. To fulfil the call objective of price discovery and contribution to market formation, the following information will be published: (i) identified bid price, total volume, electrolyser capacity, planned origin of the electolysers, and name of successful projects, (ii) anonymised bid price, total volume and capacity for unsuccessful bidders, (iii) anonymised and aggregated off-take prices for all bidders. Additional data and analysis may be published where anonymisation is guaranteed.	Change: • Inclusion of DNSH criteria reporting requirements

2.5 Design elements defining the auction and framework conditions.

Table 4: Overview of design elements for the Innovation Fund competitive bidding mechanism - auction and framework conditions

No.	Design Element	Specific implementation in the Innovation Fund 2025 hydrogen auction	Suggested changes from IF24 Auction
5.1	Scheduling/auction frequency	To be defined based on participation received in previous auctions.	No change
5.2	Timing of the auction (early stage or late-stage auction)	Late-stage auction.	No change
5.3	Granting authority	Climate, Infrastructure and Environment Executive Agency (CINEA) or national granting authority in case of Auction-as-a-Service.	No change

III. Qualification requirements

1. Electricity sourcing strategy

The electricity sourcing strategy must demonstrate that the project has a credible plan to source the necessary electricity for 100% of the planned volumes of hydrogen as expressed in the bid.

It must clearly express the expected portion of the electricity use that is estimated will be able to be counted as fully renewable (for production of RFNBO hydrogen) and the portion which will be accounted for electrolytic low carbon hydrogen production (if applicable). The strategy must demonstrate that:

1) **For RFNBO Hydrogen volumes**:

The project has a credible plan and has taken initial pre-contractual steps towards securing renewable electricity that in volumes and time profile matches at least the 60% of volumes of RFNBO hydrogen as stated in the proposal. The electricity sourcing strategy must explain how this portion of the project's energy supply will comply with the main principles of additionality, geographical and temporal correlation, for the volumes of RFNBO hydrogen.

For each expected electricity source for the production of RFNBO hydrogen, the following information should be explained as part of the strategy:

a) name of renewable electricity provider or indication of own assets, where applicable.
b) type of renewable electricity source.
c) type of connection (dedicated assets with a direct connection with the renewable electricity generation asset or connection via the grid).
d) volume of electricity supplied from the source (incl. % of absolute volume needed for the project). If the electrolyser capacity in the bid is a portion of a bigger project, the application should explain how the volumes of electricity of the full project will be satisfied.
e) Price range indication
f) pricing structure (fixed price, collar, price floor, floating, indexed etc.).
g) duration of supply.

Points a) to g) must be represented in an overview table for all electricity sources.

Pre-contractual agreements: As part of the documentation of the energy strategy, and for at least 60% of the required total electricity volumes during the project's implementation period for the production of RFNBO hydrogen, Heads of Terms (HoT) or other forms of pre-contractual signed term sheets must be provided, and they must include the information set out in points a) to g) above. The provided HoT should not be more than 1 year old at the moment of application.

Where the electricity provider is the same legal entity as the beneficiary, a letter signed by a director/senior executive of the beneficiary can be provided instead of HoT, explaining how the renewable energy is produced and reserved internally for the production of RFNBO hydrogen by the project. The letter should contain the information set out in points a) to g) above. In this case, the letter should also explain the expected installed capacity of the generation plant, the required investment amount, how it is planned to be financed and what is the timeline for reaching financial decision of the installation.

2) **For electrolytic low carbon hydrogen volumes (if applicable)**

For at least 60% of the required total non-fully-renewable electricity necessary for the production of the portion of low-carbon hydrogen volumes during the project's implementation period as stated in the bid, credible explanation of how the use of this energy supply will result in hydrogen production meeting the

minimum emissions savings threshold of 70% necessary to be considered as a "low carbon fuel" according to the definition in Directive (EU) 2024/1788 and its Delegated Regulation (C(2025) 4674 final).

The strategy must provide an estimation of the average monthly emission savings that could be achieved by the electrolytic low carbon hydrogen production during the implementation period. For that purpose, the strategy must explain the expected method/s to be used by the project for attributing GHG emissions to the electricity supply from the grid that does not qualify as fully renewable according to the definitions in Directive (EU) 2024/1788 and its Delegated Regulation (C(2025) 4674 final), and explaining what methodology is expected to be used for each operational year.

To justify such assessment, and in consistency with selected methodologies, the strategy should include information about:

a) Electricity market modelling for the bidding zone where the project is connected, in at least hourly granularity for a minimum of 5 years period after entry into operation. The strategy must explain how the model used is aligned with the data such as that used by ENTSO-E for the TYNDP[16], the data used by national TSOs for national network development plans, and/or data from other relevant national or European authorities.
b) Planned production schedule of the electrolyser during the implementation period, including estimated annual full load and maintenance hours
c) Based on the information above, and in consistency with the selected methodologies, the following indicators: (i) estimated yearly average emission factor of the electricity mix of the bidding zone, (ii) estimated hourly average emission factors of the electricity mix at the time of producing low carbon hydrogen, (iii) estimated hourly average emission factors of the marginal generation unit at the time of producing low carbon hydrogen, and/or (iv) estimated annual number of hours in which the marginal price of electricity is set by renewable or nuclear plants

Dependent infrastructure: Where the sourcing of the electricity is dependent on significant energy infrastructure that needs to materialise on time, or other installations beyond the boundaries of the project, the sourcing strategy should describe and provide a credible timeline (including permits) for that infrastructure to become operational in line within the maximum time to entry into operation of the auction.

All documents and evidence provided as part of the electricity sourcing strategy must be consistent with the bid and the financial information file, as well as basic project parameters like the assumed electrolyser utilisation profile, hydrogen off-take profile or electrolyser efficiency presented in the application forms.

2. Hydrogen off-take and price hedging

The project must demonstrate in its Application Form B that the project has a credible plan and has taken initial pre-contractual steps towards securing the off-take for all the produced volumes of RFNBO hydrogen and/or low carbon electrolytic hydrogen production as stated in the bid.

In particular, the explanation in Application Form B should demonstrate that a hedging strategy is in place to manage the price volatility risk of electricity supply and off-take. Examples include: a PPA structure that ensures price symmetry with the off-take, using financial derivatives to hedge against spot market price fluctuations, or incorporating energy storage solutions.

Dependent infrastructure: where the delivery of the hydrogen to an off-taker is dependent on significant energy infrastructure that needs to materialise on time (e.g. pipelines) or other installations beyond the boundaries of the project, the proposals must describe and provide a timeline (including permitting, final investment decision and

16 *Ten-year network development plan*

financing) for that energy infrastructure to become operational in line with the maximum time to entry into operation required in the auction.

For at least 60% of the total hydrogen production volumes (including RFNBO hydrogen and/or electrolytic low carbon hydrogen) during the project's implementation period, Heads of Terms (HoT) or other forms of pre-contractual signed term sheets with (an) off-taker(s) must be presented, and they must include the information set out below:

a) name of the off-taker.
b) sector and sub-sector of the off-taker. Please refer to the sector categorization provided in Form C.
c) off-take volumes (RFNBO hydrogen and/or electrolytic low carbon hydrogen)
d) pricing structure (fixed price, price floor, floating, indexed etc.)
e) Price range indication
f) duration of the off-take agreement.
g) method of delivery.
h) Confirmation from the consumer (in most of the cases, the off-taker themselves) that, in case of receiving State aid for operational expenditure, they informed the competent authorities that they would receive hydrogen volumes that are part of the bid in the IF hydrogen auction and that they need to exclude (by the Financial Close) the risk of breaching State aid rules (see Section IV of the T&C).

Points a) to h) must be presented in an overview table for all off-takers.

The provided HoT should not be more than 1 year old at the moment of application.

As a general rule, the 'off-taker' will be the entity to which the hydrogen, as stated in the bid, is supplied to. Where the 'off-taker' is the same legal entity as the beneficiary of the auction, the project will be considered an 'integrated project'.

- For integrated projects applying into Topic#1 or Topic#2, a letter can be provided instead of HoT, signed by a director/senior executive of the beneficiary containing points a) to h) above explaining how 60% of the hydrogen production volumes during the project's implementation period, as stated in the bid, are reserved internally for self-consumption. The information reflected in the letter should be the same as that required in the HoT of a third party off-taker except that instead of the name of the off-taker one should indicate one's own asset within the project.

- For integrated projects applying into Topic#3, and if the hydrogen is transformed within the integrated project (e.g., producing ammonia, methanol, synthetic fuel), the off-taker will be considered the entity consuming the transformed product. The project must present Heads of Terms (HoT) or other forms of pre-contractual signed term sheets with off-taker(s) in the maritime sector containing points a) – h) above concerning the volumes of derivative product that are equivalent to 60% of the hydrogen production volumes as stated in the bid, during the project's implementation period. Information in point c) must also mention the expected conversion factor from those volumes of hydrogen to the final derivative product volumes.

An off-taker will be considered to belong to the maritime sector if it is either bunkering fuels in ports within the EEA (e.g. port authorities or oil and gas companies bunkering in the EEA), or receiving bunker fuels from EEA ports (e.g. a shipping company). Fuel traders without bunkering operations and/or intermediaries (including storage facilities), are not eligible as off-takers, neither are virtual agreements.

3. Electrolyser procurement

The project must demonstrate in its Application Form B that the project has a credible plan and has taken initial pre-contractual steps towards securing the electrolyser capacity as stated in the bid.

The project must submit a Memorandum of Understanding, Letter of Intent (MoU/LoI) or another form of pre-contractual signed term sheet with electrolyser manufacturer/s, covering the total amount of planned electrolyser capacity in the project as stated in the bid. The MoU/LoI/others must contain at least the following elements:

a) type of technology
b) declaration on the name of the company which will produce the electrolyser
c) declaration of origin of electrolysers and the electrolyser stacks: if the electrolysers/stacks are to be imported from outside the EU/EEA, state the country of origin as will be indicated in the customs declaration (i.e. country of last substantial transformation). If the electrolysers/stacks are not to be imported from outside the EU/EEA, state the EU/EEA country of origin. In case of different manufacturers of the electrolysers/stacks/ indicate % (e.g. 50% manufactured in an EU/EEA country, 50% in the third country expressed in capacity of the total electrolyser as expressed in the bid)
d) a statement by the electrolyser manufacturer that the requirements under the "Achieving security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness" are fulfilled with the indication if any of the specific components are to come from People's Republic of China.
e) electrolyser capacity in MWe
f) expected delivery date
g) terms of delivery
h) price

The provided MoU/LoI should not be more than 1 year old at the moment of application.

4. Environmental permits

Evidence of submission of the environmental permit request to relevant national or regional authority to receive environmental permits for the RFNBO hydrogen and/or electrolytic low carbon hydrogen production installation and credible information on the timeline of the approval process in relation to the maximum time to entry into operation. The submitted documents must establish in a credible manner that the timeline of achieving the permit before the maximum time to financial close is realistic. The documentation provided will be assessed considering the national context, which you can also describe in your application.

The document must also explain the water sources planned for the project.

5. Grid connection permits

If the project will be using power from the electricity grid, credible evidence of submission to relevant authority to receive a grid connection permit for the RFNBO hydrogen and/or low carbon electrolytic hydrogen production installation within the maximum time to financial close.

The submitted documents must establish in a credible manner that the timeline of achieving the permit before the maximum time to financial close is realistic. The documentation provided will be assessed considering the national context, which you can also describe in your application.

6. Letter of intent for a completion guarantee

A letter of intent to issue the completion guarantee (using the mandatory template provided alongside the call for proposals) from a bank or a financial institution, with the following minimum rating from at least one of these rating agencies: BBB- from S&P or Fitch, Baa3 from Moody's or BBB(low) from DBRS) established in an EU Member State). Financial institutions including banks or insurance companies (with the minimum required rating) can be accepted as guarantor even when they are affiliated to the beneficiary. The provided Letter of intent should not be more than 1 year old at the moment of application.

The signed completion guarantee will need to be issued no later than two months after the receiving the evaluation result letter inviting successful applicants for the grant agreement preparation.

The letter of intent provided at the bid stage (a mandatory template will be provided) which stating that the said financial institution will provide, if the project is selected for funding, a completion guarantee on behalf of the

applicant, issued to the granting authority as beneficiary, for an amount corresponding to 8% of the maximum grant amount (a figure that the letter of intent must also state). The completion guarantee shall be valid from the moment of issuance until six months after the maximum time to entry into operation (i.e. after verification that the electrolyser capacity stated as part of the bid production capacity is operational).

The project will have to clearly state in the letter of intent 1) the rating level, 2) the name of the entity providing the rating 3) In case of difference between the rated entity and the one signing the letter of intent, an explanation of the relation between both of them, an 4) a link to and open rating data base, or a letter from the rating entity, proving the rate itself.

7) DNSH Compliance Strategy

The DNSH Compliance Strategy should explain how the project will credibly ensure compliance with the 'do no significant harm' Technical Screening Criteria (TSC) set in the Climate Delegated Act, namely[17]:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

8) Technical Feasibility Study

The proposal must credible demonstrate that it will be able to comply with the required implementation plan and to enter into operation within the required timeframe.

The proposal must provide a Technical Feasibility Study, describing at least aspects such as:

- Site location identification and plans
- Technical and operational requirements (including scope boundaries)
- Technical assessment of the project, including assumptions and reasoning in the choices for aspects such as the processes of the plant or the selected technologies.
- Supply and value chain analysis
- Risk analysis and mitigation measures.
- Compliance with necessary environmental and social aspects.

This information, together with the information provided in the Part B of the application and other required Annexes, must demonstrate that the project has carried out the necessary feasibility studies for its implementation according to the proposal.

9) Support from equity providers

17 *The criteria for "Transition to a circular economy" does not apply to hydrogen manufacturers*

Funding support by the project's equity funding providers identified in Part B of the application must be evidenced by memoranda of understanding, letters of intent or letters of support for at least 60% of the total projected equity funding amount.

The documents should be signed by authorised signatories at executive committee and/or board of director level of the respective funding entity/ies.

The documents provided should confirm,

a) the name of the funding entity providing the equity;
b) job title of the signatory/ies;
c) reference to the project and investment scope (aligned with the bidding project scope);
d) funding amount and share of the project's total equity funding amount;
e) availability of financing resources to secure this funding amount;
f) expected timing and steps to reach financial close.

IV. Rules on combination of support under the auction with other public support

This section describes the rules for combining the support awarded through this auction with other public support in the form of: either State aid (both notified e.g. under the CEEAG[18] or the IPCEI Communication[19] and not notified e.g. under the GBER[20]) or funding from EU programmes (e.g. Horizon Europe, Connecting Europe Facility, InvestEU).

Cases of combination of support marked **X** are not allowed. A self-declaration will be required as part of the project application, stating that by the time of grant agreement signature the project will not be in any excluded cases of combined support.

Cases marked **V** are allowed.

For all cases of allowed combination of support (under the IF auction), please also note that there are also rules on combination of support that have to be respected coming from State aid requirements (e.g. in some case of funding gap assessment under CEEAG/IPCEI).

For avoidance of doubt, general measures such as general tax reduction measures applicable to all economic operators, when they are *not* State aid, fall outside the scope of this section.

Entity	**Cases of combination of support that are not allowed**	**Cases that are allowed**
Hydrogen producers signing Grant Agreement for an Innovation Fund auction grant ('IF auction project')	**X** Combination with public support for hydrogen producer's CAPEX or OPEX is *not* allowed. **X** Compensation for indirect emission costs provided under the ETS State aid Guidelines[21] is a form of State aid and cannot be combined. **X** Reductions from levies or taxes which reflect part of the cost of providing electricity to the beneficiaries, e.g. reductions from network charges or from charges financing capacity mechanisms or reductions in electricity taxes (not covered by point 403 of CEEAG or equivalent points under other State aid frameworks) cannot be combined when they are State aid.	**V** Combination with previous public support for early project development stages such as: research, feasibility studies or FEED studies preceding the commercial operation is allowed. **V** Combination with previous public support for capacity development that is *not* part of the bid is allowed[22]. **V** Combination with public support for energy infrastructure[23] connected to the project (e.g. Connecting Europe Facility support) is allowed, provided that the energy infrastructure is not infrastructure dedicated to this project ("non-dedicated infrastructure"). **V** Combination with reduction from levies on electricity consumption which finance energy and environmental policy objectives (as described in section 4.11 of CEEAG or equivalent measures under other State aid frameworks)[24] is allowed[25], even if these measures qualify as State aid.

[18] *https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation_en*

[19] *https://competition-policy.ec.europa.eu/state-aid/legislation/modernisation/ipcei_en*

[20] *https://competition-policy.ec.europa.eu/state-aid/legislation/regulations_en*

[21] *Communication from the Commission – Guidelines on certain State aid measures in the context of the system for greenhouse gas emission allowance trading post-2021, 2020/C 317/04.*

[22] *E.g. if a previous project stage of 5MWe of capacity has received public support, and a 15MWe capacity extension is bid into the auction, that bid is eligible. A combined 20MWe bid, comprising 5MWe previously supported would, however, not be allowed.*

[23] *As defined in CEEAG (point 36 of section 2.4 Definitions).*

[24] *Measures notified that fall under point 403 and section 4.11 of CEEAG or similar measures, for example those that fall under Article 44 of GBER.*

[25] *Allowed for the 2025 auction round. If further auction rounds follow, this case of combined support may not be allowed.*

Entity	Cases of combination of support that are not allowed	Cases that are allowed
Electrolyser manufacturers from whom IF auction projects will purchase equipment		V Public support provided to the electrolyser manufacturers supplying equipment for projects.
Renewable electricity installations[26] from which IF auction project will source electricity	X For RFNBO hydrogen producers entering into operation as of 1 January 2028, in order to comply with the "additionality principle" established in the Delegated Acts of the Renewable Energy Directive (RED), the renewable electricity installation from which power is sourced cannot receive public support (except cases listed on the right).	V For RFNBO hydrogen producers entering into operation before 1 January 2028, there is no need to apply the additionality requirement and renewable electricity installations can receive public support. V For RFNBO hydrogen producers entering into operation as of 1 January 2028, the "additionality principle" can be waived for renewable electricity installations if → The grid has low emissivity (<18gCO2/MJ) → The grid has a high share of renewables (>90%) In such cases, renewable electricity and thus renewable electricity installations can benefit from public support. V For RFNBO hydrogen producers that are connected to installations generating renewable electricity with a direct line and not via the grid, the exclusion of public support does not apply. Please consult the Renewable Energy Directive and its Delegated Acts for detailed rules.
Direct consumers[27] of the output of IF auction projects. Only the output supported by the IF auction grant is concerned[28]. Output of non-integrated projects is hydrogen.	X Direct consumers of the output of IF auction projects cannot receive EU funding for operational costs of their hydrogen consumption. Purchasing hydrogen from the IF auction projects by the direct consumer must not result in a breach of the conditions of the State aid they have received. Direct consumers receiving State aid for operational costs of their hydrogen consumption are responsible for ensuring that they are not in breach of the conditions of their State aid.	V Direct consumers of the output of IF auction projects can benefit from public support for their CAPEX costs. V Direct consumers of the output of IF auction projects can benefit from public support for their energy infrastructure costs provided it is not energy infrastructure dedicated for this project only ("non-dedicated infrastructure").

[26] *Rules stemming from Renewable Energy Directive Delegated Regulations on RFNBOs and notably "additionality principle".*

[27] *If and IF auction project sells to energy trader/aggregator, then the direct consumer is the entity buying from this energy trader/aggregator. Rules on combination of support do not apply further downstream – beyond the direct consumers.*

[28] *An example: a green steel producer secures 10% of its RFNBO hydrogen consumption from a hydrogen producer who won the IF auction. The requirement for off-takers not to benefit from aid for operational costs concerns only the volume of RFNBO hydrogen acquired that would be receiving support through the Innovation Fund 2023 Auction, i.e. the volume of hydrogen stated in the bid of hydrogen producer (in the example the 10% of RFNBO hydrogen consumption). The reminder: 90% of the steel producer RFNBO consumption can receive the operational support. If it cannot be differentiated which fraction of the off-taker's hydrogen consumption receives other operational aid (e.g. aid is for the entire consumption volumes of the off-taker), this would be considered a breach of rules on combined support.*

Entity	Cases of combination of support that are not allowed	Cases that are allowed
Output of integrated projects[29] is the hydrogen derivatives (e.g ammonia, e-gas, e-fuels)	For that purpose, direct consumers receiving State aid for operational costs of their hydrogen consumption will need to inform the competent national authorities that they are purchasing hydrogen from the IF auction projects and exclude the risk of overcompensation or a breach of the cumulation rules of any State aid measure they are a beneficiary of[30].	

29 *An 'integrated project' is one in which the off-taker of the renewable hydrogen, as stated in the bid, is the same legal entity as the beneficiary of the auction.*

30 *Head of Terms need to mention on the side of consumer that they informed the competent authorities that they would be part of the bid in the IF hydrogen auction and that they need to exclude (by the Financial Close) the risk of breaching State aid rules.*
At Financial Close, contracts need to mention that consumer informed the competent authorities and those authorities excluded the risk of breaching State aid rules.
During project monitoring, if there is a new consumer, the new consumer needs to confirm they informed the competent authorities and those authorities excluded the risk of breaching State aid rules.