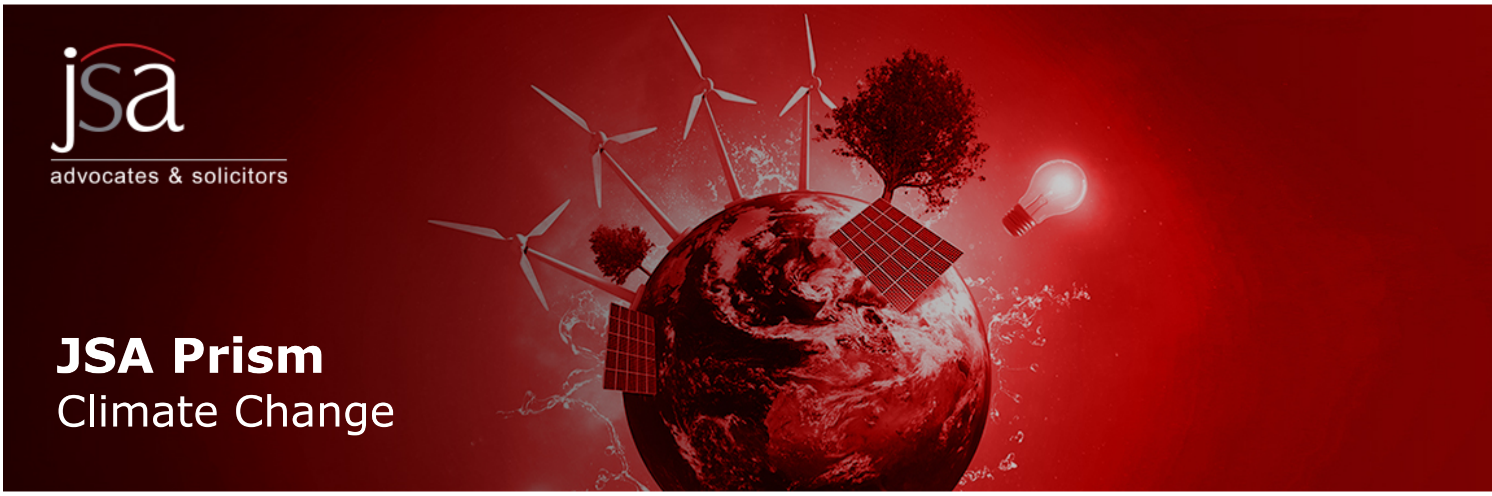

July 2024

Scheme guidelines for implementation of 'Strategic Interventions for Green Hydrogen Transition (SIGHT) Programme' and Incentive Scheme for Green Hydrogen Production

In January 2023, the Union Cabinet approved the National Green Hydrogen Mission with an initial outlay of INR 19,744 crore (Indian Rupees nineteen thousand seven hundred and forty-four crore), allocating funds for various components including the Strategic Interventions for Green Hydrogen Transition ("**SIGHT**") Programme ("**SIGHT Programme**"), pilot projects, research and development, and other mission components. The SIGHT Programme proposes 2 (two) distinct financial incentive mechanisms to support domestic manufacturing of electrolysers and production of Green Hydrogen.

Building on this, the Ministry of New and Renewable Energy ("**MNRE**"), on July 3, 2024, issued the 'Scheme Guidelines for implementation of Strategic Interventions for Green Hydrogen Transition (SIGHT) Programme – Component II: Incentive Scheme for Green Hydrogen Production (under Mode 1) Tranche – II' ("**Scheme**"). The objectives of the Scheme include maximizing production of green hydrogen and its derivatives, enhancing cost-competitiveness, and encouraging large scale utilization of green hydrogen and it derivatives.

Salient Features

1. **Budget allocation**: The Scheme, allocated a total outlay of INR 13,050 crore (Indian Rupees thirteen thousand and fifty crore).
2. **Implementing agency**: MNRE will oversee the Scheme's execution through the Solar Energy Corporation of India Limited ("**SECI**"). SECI's responsibilities encompass administrative, managerial, and implementation support, including application evaluation, issuance of acknowledgments and letters of award, verification of incentive claims, and quarterly progress reporting to MNRE. SECI is entitled to 0.5% of the disbursed incentive amount as administrative charges and holds authority to conduct physical inspections and enlist third-party agencies for technical verification.
3. **Guiding principles**: The Scheme adheres to specific guiding principles:
   a) direct incentives in terms of INR/kg (Indian Rupees per kilogram) of green hydrogen production will be provided for a period of 3 (three) years from the date of commencement of green hydrogen production;
   b) beneficiaries will be selected through a competitive selection process; and
   c) incentives will be capped at INR 50/kg (Indian Rupee fifty per kilogram) in the first year of production, INR 40/kg (Indian Rupees forty per kilogram) during second year of production and INR 30/kg (Indian Rupees thirty per kilogram) during the third year of production.

4. **Penalties**: Bidders participating in the Scheme are mandated to submit earnest money deposit ("**EMD**") as specified in the tender document. Non-compliance with the tender terms may lead to forfeiture of EMD. Successful bidders, upon acceptance of the award, must furnish performance bank guarantees or analogous instruments, as stipulated in the tender document. Failure to adhere to project commissioning timelines or default in project execution may result in forfeiture of the commensurate bank guarantees or similar performance guarantee instruments by SECI. Detailed modalities regarding penalties, including encashment of EMD, bank guarantees, accrued interest, or other penalties collected by SECI, will be outlined in the tender documents.
5. **Monitoring**: Oversight will be conducted by a Scheme Monitoring Committee ("**SMC**") chaired by the Secretary of MNRE. The SMC, comprising representatives from MNRE, SECI, and relevant experts, will periodically review the implementation status and performance of electrolyser manufacturing capacities awarded under the scheme, facilitating resolutions for any encountered difficulties.

Implementation methodology

1. The scheme is designed to promote the manufacturing of efficient and top-tier electrolysers within India. MNRE, through SECI will invite bids for competitive selection. The bidders will be required to quote the following:
   a) annual production capacity of green hydrogen and/or its derivatives;
   b) incentive demanded in INR/kg (Indian Rupees per kilogram) for each of the first 3 (three) years of production with the upper cap of INR 50/kg (Indian Rupee fifty per kilogram), INR 40/kg (Indian Rupee forty per kilogram) and INR 30/kg (Indian Rupee thirty per kilogram) for green hydrogen for the first, second and third year of production respectively.

   Additionally, verification of local value addition will be conducted annually to ensure compliance with the Scheme requirements.
2. **Eligibility**: The Scheme imposes stringent eligibility criteria, requiring bidders to meet financial stability and manufacturing capability standards. Bidders, whether single companies or joint ventures/consortiums, must demonstrate a net worth under "Technology Agnostic Pathways" equal to or exceeding INR 15,00,00,000 (Indian Rupees fifteen crore) per 1,000 MT (thousand metric tonne) per annum of the quoted production capacity of green hydrogen, and under 'Biomass Based Pathways' equal to or exceeding INR 1,50,00,000 (Indian Rupees one crore and fifty lakh) per 1,000 MT (thousand metric tonne) per annum of quoted production capacity of green hydrogen. Though the bidder can be a single company or a joint venture/ consortium of more than 1 (one) company.
3. Capacity available for bidding during Tranche II, is 4,10,000 MT (four lakh ten thousand metric tonne) per annum of green hydrogen under 'Technology Agnostic Pathways (Bucket I) and 40,000 MT (forty thousand mega tonne) per annum of green hydrogen under 'Biomass Based Pathways (Bucket II)'.
4. Payment incentives for the selected bidders as follows:

   Incentive payout in a given year = (Incentive quoted for that year in INR/kg (Indian Rupees per kilogram)) * (Allocated capacity or Actual Production in the year, in kilogram, whichever is lower)

Conclusion

This mission represents a promising opportunity to engage in and benefit from the burgeoning green hydrogen market. The guidelines, selection processes, and financial incentives provide a stable framework for investment. Additionally, the oversight by the Scheme Monitoring Committee ensures accountability and continuous improvement, aligning with global best practices.

From an industry perspective, the incentives and competitive selection process create a conducive environment for innovation and investment in green hydrogen technologies. Companies stand to benefit from direct incentives, ensuring economic feasibility and encouraging the adoption of advanced electrolyser manufacturing within India.

Clean Energy & Climate Change Practice

Our team's climate change and sustainability practise is regarded as a leading specialized practice acknowledged for its domain knowledge, multi-dimensional expertise and strengths in grappling with complex issues involving public policy, economics, technology, finance, project management besides law. The practice is handled by domain expertise-based team which has advised various stakeholders in renewable energy, electric mobility, energy efficiency, carbon markets, ESG and new and emerging low carbon technologies, including green hydrogen. The team is highly ranked by various legal ranking agencies and is credited for contributing to several landmark and precedent setting projects. This practice encompasses:

- Legislative, Regulatory and Policy reforms;
- Public Procurement;
- Compliance and Strategy;
- Transactional advice including mergers and acquisitions, project finance, structuring legal, regulatory and contractual frameworks.

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