

# LOW CARBON HYDROGEN AGREEMENT FOR HYDROGEN ALLOCATION ROUND 1

## Key Terms Summary (with Explanatory Notes)

2025

### Background

This summary document was prepared by the Department for Energy Security and Net Zero ("**DESNZ**") to accompany the low carbon hydrogen agreement, Hydrogen Allocation Round 1 ("**HAR1**") version (the "**Low Carbon Hydrogen Agreement**" also referred to as the "**LCHA**"). This document has been prepared to provide a summary of the key LCHA terms applicable to HAR1 projects and does not constitute definitive drafting of the LCHA's terms or seek to summarise any specific provisions that would only be applicable to (a) CCUS-enabled hydrogen projects or (b) specific HAR1 projects by virtue of any modifications contained within their relevant Front-End Agreement. Explanatory notes have also been provided, to help stakeholders understand the intention behind the key terms. This document therefore complements the LCHA and the corresponding Key Terms Summary, which were first published in February 2025.

This summary applies only to HAR1, and future allocation rounds (such as Hydrogen Allocation Round 2) may include different terms or design features to reflect evolving policy priorities, market conditions and stakeholder feedback. Stakeholders should therefore not assume that the HAR1 terms will apply to subsequent allocation rounds.

Unless the context otherwise requires, capitalised terms used but not defined in this document have the same meaning as ascribed to them in the LCHA.

This document does not constitute legal advice and is not intended to replace it, nor does it attempt to provide any guidance or undertaking in respect of the manner in which the LCHA will be applied by the Low Carbon Contracts Company Ltd ("**LCCC**"). For the avoidance of doubt, nothing contained in this document indicates any willingness or agreement on the part of DESNZ or the LCCC to enter into, or arrange the entry into, the LCHA. This document does not constitute an offer and is not capable of acceptance. It does not create a basis for any form of expectation or reliance.

In the event of any conflict between this document and the terms of the LCHA, then the terms of the LCHA shall prevail.

### Overview of the Hydrogen Production Business Model

The Hydrogen Production Business Model (HPBM) incentivises investment in new low carbon hydrogen production and encourages users to switch to low carbon hydrogen by making it a price competitive decarbonisation option. It provides revenue support to hydrogen Producers to overcome the operating cost gap between low carbon hydrogen and high carbon counterfactual fuels.

The HPBM is delivered through the LCHA, being a long term, private law contract between a Government-designated LCHA Counterparty and a Producer. LCCC has been designated as the LCHA Counterparty. This contractual model follows a similar approach as the Contracts for Difference (CfD) mechanism, which is used in the low carbon electricity sector. Adaptations have been made to the design of the business model, to make it suitable to incentivise the growth of the low carbon hydrogen market.

The HPBM subsidy provides i) price support (because low carbon hydrogen is more expensive than counterfactual fuels) and ii) volume support (because the low carbon hydrogen market is nascent, and demand is uncertain). In summary:

- Price support is provided by a variable premium payment per unit of hydrogen produced and sold. This is calculated as the difference between a bilaterally agreed Strike Price reflecting the

cost of producing hydrogen with an allowed return on investment and a Reference Price (see below) reflecting the price of hydrogen achieved by the Producer. This model provides the opportunity for the level of subsidy to adjust as the hydrogen market develops – if the Producer can sell the hydrogen at a higher price (for example as the carbon price increases and it becomes more expensive for businesses to use higher carbon fuels), the variable premium model provides a lower subsidy.

- Volume support is provided by a sliding scale approach, in which the subsidy per unit of hydrogen is higher if hydrogen sales fall below a defined threshold. However, if volume falls to zero in any Billing Period of a month, no subsidy is received that month.

Other key features of the HPBM design include:

- The Reference Price used to calculate the variable premium is the Producer's Achieved Sales Price (i.e. the amount paid by the offtaker for the hydrogen commodity), with a floor at the natural gas price. A higher floor of 1.2 x natural gas price is applied where the hydrogen is used for feedstock purposes (i.e. as an input material to produce another product). A Price Discovery Incentive is available to incentivise Producers to increase the Achieved Sales Price and therefore reduce the variable premium subsidy.
- Strike Prices for HAR1 electrolytic Producers are indexed to the Consumer Price Index (CPI).
- For volumes of hydrogen to qualify for subsidy, they must meet the Low Carbon Hydrogen Standard and be sold to a Qualifying Offtaker. Non-Qualifying Offtakers are i) Risk-Taking Intermediaries, ii) those that plan to export hydrogen for use outside the UK or import hydrogen to a location outside the UK and iii) those that inject hydrogen into the UK natural gas system.
- Limited costs for hydrogen transport and storage may be supported through the HPBM. These are agreed bilaterally with Producers, considering necessity, affordability and value for money.
- An LCHA Sales Cap is agreed bilaterally with each Producer. This caps the total volume (Qualifying and Non-Qualifying) that Producers can sell throughout the term of the LCHA. A Permitted Annual Sales Cap is also applied, which limits the amount of hydrogen that can be sold on an annual basis by each Producer.
- The LCHA expires on the earlier of the LCHA Sales Cap being reached or 15 years after the Start Date (or 15 years after the end of the Target Commissioning Window if that is earlier than the Start Date).

## SECTION A – FRONT END AGREEMENT

No.	Subject	Terms	Explanatory Notes
1.	Overview	<p>The LCHA comprises two parts: (i) the front-end agreement and (ii) the standard terms and conditions.</p> <p>The front-end agreement is a bespoke document that will contain project-specific information relating to each Producer, including particulars of the Facility and the Producer to which the relevant LCHA applies.</p> <p>The standard terms and conditions are a set of contractual terms governing matters which are applicable to all LCHAs, unless otherwise specified in the front-end agreement.</p>	This approach follows the precedent set by the CfD.

## SECTION B – STANDARD TERMS AND CONDITIONS

No.	Subject	Terms	Explanatory Notes
1.	Parties	The parties to the LCHA are the LCHA Counterparty and the Producer (each, a <b>"Party"</b> and together the <b>"Parties"</b> ). The LCCC is the LCHA Counterparty.	The LCCC was selected, and formally designated, as the LCHA Counterparty following an assessment of different options. LCCC's experience in successfully administering CfD contracts and its operational independence from Government were key factors in selecting it as the LCHA Counterparty.
2.	<b>Term, Conditions Precedent and Milestone Requirement (Parts 2 and 3)</b>		
2.1	Term and Specified Expiry Date  (Condition 2)	The LCHA term will commence on the Agreement Date and end on the Specified Expiry Date (being the fifteenth (15th) anniversary of the earlier of the Start Date and the last day of the Target Commissioning Window of twelve (12) months). The Target	The contract term is set at 15 years as this reflects a reasonable amount of time for a market for low carbon hydrogen to emerge and is long enough to secure private sector financing. Feedback from stakeholders indicated that a shorter contract term would decrease

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		<p>Commissioning Window will be adjusted day-for-day for any delays that occur due to Force Majeure and, where applicable, for delays by the relevant authority in establishing an electricity grid connection and/or a water connection.</p> <p>Therefore, if the Producer fails to commission the Facility by the end of the Target Commissioning Window, the term of the LCHA will commence and the fifteen (15) year term will start to erode. However, payments under the LCHA will not commence unless and until the Start Date occurs.</p> <p>Notwithstanding the above position, the LCHA will expire on the earlier of:</p> <ul style="list-style-type: none"> <li>(a) the Specified Expiry Date; and</li> <li>(b) the date when the Total Accrued Volumes are equal or are deemed to be equal to the LCHA Sales Cap (see item 4.12 (<i>LCHA Sales Cap and Annual Sales Cap</i>)),</li> </ul> <p>unless the LCHA is terminated earlier in accordance with its terms (see item 7 (<i>Termination and Consequences of Termination</i>)).</p>	<p>the attractiveness of investment and increase the cost of capital. A contract term of 15 years also follows the original precedent set by the CfD.</p> <p>The Target Commissioning Window is set at 12 months as this provides a reasonable amount of flexibility for electrolytic hydrogen facilities to commission.</p>
2.2	Initial Conditions Precedent (Condition 3 and Annex 1 Part A)	<p>The LCHA includes two sets of conditions precedent, the Initial Conditions Precedent and the Operational Conditions Precedent.</p> <p>The Initial Conditions Precedent provisions require the Producer to satisfy certain legal, technical and regulatory requirements and conditions relating to the LCHA as soon as reasonably practicable and in any</p>	<p>The inclusion of Initial Conditions Precedent (ICPs) follows the precedent set by the CfD. The ICPs ensure that the LCHA Counterparty is provided with all necessary legal and technical information at the start of the LCHA to confirm the current status of projects and administer the LCHA.</p> <p>The requirement to provide a Site description enables</p>

No.	Subject	Terms	Explanatory Notes
		<p>event by no later than twenty (20) Business Days after the Agreement Date (other than for any Initial Conditions Precedent that may be waived by the LCHA Counterparty, in its absolute discretion). These conditions, which will need to be evidenced in a form and content satisfactory to the LCHA Counterparty, include:</p> <p>(a) a legal opinion addressed to the LCHA Counterparty from the Producer's legal advisers confirming that the Producer: (i) is duly formed and validly existing under the law of the jurisdiction of formation; and (ii) has the power to enter into and perform, and has taken all necessary action to authorise its entry into and performance of, the LCHA and the other LCHA Documents;</p> <p>(b) evidence of compliance by the Producer with "know your customer" or similar identification procedures or checks under all applicable laws and regulations pursuant to the transactions contemplated by the LCHA and the other LCHA Documents;</p> <p>(c) the Facility description (including: (i) details of the assets comprising the Hydrogen Production Plant; (ii) an aerial view of the unique geographical location of the Hydrogen Production Plant; (iii) a process flow diagram of the Hydrogen Production Plant; and, if applicable (iv) a description of any Hydrogen Storage Infrastructure,</p>	<p>the LCHA to, amongst other things, refer to the Low Carbon Hydrogen Standard (LCHS) System Boundary (the production site boundary), to distinguish between on-site and off-site hydrogen storage and to refer to different metering points.</p>

No.	Subject	Terms	Explanatory Notes
		<p>Hydrogen Transport Infrastructure and UKLCH Electricity Storage System);</p> <p>(d) a description of: (i) the Site, including an aerial view of the unique geographical location of the Site showing the proposed locations of the Measurement Points; and, if applicable (ii) any On-site Non-UKLCH Storage, Off-site Non-UKLCH Storage, Non-UKLCH Transport Infrastructure, and Non-UKLCH Electricity Storage System;</p> <p>(e) the Producer's entry into certain key project documents, including Applicable Connection Documents and, if applicable, the NZHF Grant Funding Agreement. This also includes evidence that the Producer has obtained Applicable Planning Consents for the Facility and associated infrastructure, with the challenge period having expired with no challenge being brought (or any challenge having been unsuccessful with no further rights of appeal)<sup>1</sup>;</p> <p>(f) the Producer's: (i) certificate of incorporation (if applicable); (ii) most recent annual return (where available); and (iii) VAT certificate of registration;</p> <p>(g) a copy of the resolution of the Producer's board of directors approving the terms of and</p>	

<sup>1</sup> Note to Reader: Recognising the first-of-a-kind nature of the HAR1 projects, DESNZ agreed modifications to the LCHA in the front end agreements entered into with Producers in order to enable sufficient time for Producers to provide Applicable Connection Documents and Planning Consents.

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		<p>the transactions contemplated by the LCHA and resolving that the Producer executes, delivers and performs the LCHA; and</p> <p>(h) a declaration by the Producer that it is: (i) not in receipt of any other scheme of funding by a Government Entity and/or public authority of a country or territory outside the United Kingdom; or (ii) in receipt of another scheme of funding by a Government Entity and/or public authority of a country or territory outside the United Kingdom and/or any other Approved Scheme of Funding, together with Supporting Information.</p>	
2.3	Milestone Requirement (Condition 4)	<p>Following the satisfaction (or waiver, in the LCHA Counterparty's absolute discretion) of the Initial Conditions Precedent, the Producer must satisfy the Milestone Requirement. The Milestone Requirement requires the Producer to evidence by the Milestone Delivery Date, either:</p> <p>(a) actual spend of a minimum of ten per cent (10%) of the Total Project Pre-Commissioning Costs (the evidence for which will include invoices, payment receipts and other Supporting Information necessary to demonstrate that those costs have been incurred in relation to the Project); or</p> <p>(b) fulfilment of specified Project Commitments (the evidence for which will include demonstrating that the Producer has entered into commercially binding arrangements to</p>	<p>The inclusion of a Milestone Requirement follows the precedent set by the CfD. It requires Producers to provide evidence of progress towards commercial operation, which deters speculative or underdeveloped projects from entering into a LCHA, and ensures that LCHA budget remains committed only to projects that demonstrate sufficient progress towards developing the Facility.</p> <p>The Milestone Requirement is set at twelve months after the Agreement Date as this provides sufficient time for projects to agree final terms with suppliers and reach financial close. It is also an appropriate point to review whether a project is on track to meet the operational requirements of the LCHA.</p> <p>The Producer has a choice of how to evidence the Milestone Requirement. Route (a) considers spend against the Total Project Pre-Commissioning Costs, which are agreed on a project-by-project basis, to</p>

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		<p>acquire necessary Material Equipment to deliver the Project by the start of the Target Commissioning Window).</p> <p>The Milestone Delivery Date is twelve (12) months after the Agreement Date but this period may be extended in some specific circumstances such as Force Majeure and, where applicable, delays by the relevant authority in establishing an electricity grid connection and/or a water connection.</p>	<p>reflect actual project costs. Route (b) considers fulfilment of the Project Commitments, which include various corporate commitments and entry into agreements with suppliers of key equipment, including an electrolyser.</p>
2.4	<p>Operational Conditions Precedent</p> <p>(Condition 3 and Annex 1 Part B)</p>	<p>For the Start Date to occur and for subsidy payments under the LCHA to commence, the Producer must satisfy a number of Operational Conditions Precedent by the Longstop Date (unless waived by the LCHA Counterparty, in its absolute discretion). These conditions, which will need to be evidenced in a form and content satisfactory to the LCHA Counterparty, include:</p> <p>(a) evidence that: (i) the LCHA Settlement Services Provider has received the required LCHA Settlement Required Information; and (ii) the Producer has in place the systems and processes necessary for the continued provision of the LCHA Settlement Required Information;</p> <p>(b) evidence of compliance by the Producer with "know your customer" or similar identification procedures or checks under all applicable laws and regulations pursuant to the transactions contemplated by the LCHA and the other LCHA Documents;</p>	<p>The inclusion of OCPs follows the precedent set by the CfD. The OCPs are designed to test the operational capabilities of the project before the Start Date can occur and payments can commence. Several OCPs have been added to the LCHA when compared with the CfD precedent.</p> <p>The Data Collection and Monitoring Procedures (DCMP) OCP fulfils a similar purpose to the Fuel Measurement and Sampling procedures in the CfD. The DCMP sets out how a Producer will monitor and evidence the emissions associated with their project. This is for the purposes of monitoring LCHS compliance. The DCMP is agreed on a project-by-project basis with the LCHA Counterparty, providing flexibility for different projects and technologies to agree different approaches.</p> <p>Several additional OCPs have been added (when compared with the CfD precedent) to ensure Producers provide evidence that other critical components of their project have been delivered successfully, including evidence that they can produce LCHS compliant hydrogen, have installed the required</p>

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		<p>(c) evidence that the Producer has Commissioned an Installed Capacity of not less than eighty per cent (80%) of the Installed Capacity Estimate and the Facility is fit for commercial operation;</p> <p>(d) the Data Collection and Monitoring Procedures including the Fugitive Hydrogen Emissions Risk Reduction Plan (as summarised in item 14 (DCMP)) having been documented by the Producer and agreed with the LCHA Counterparty;</p> <p>(e) evidence that the Facility can produce Hydrogen that is LCHS Compliant;</p> <p>(f) evidence that the Producer is complying in full with the Metering Obligations and Measurement Data Obligations;</p> <p>(g) a date and time stamped copy of the schematic diagram, showing the locations of the relevant Meter Measurement Systems;</p> <p>(h) if applicable, evidence that the Hydrogen Storage Infrastructure has been Commissioned;</p> <p>(i) if applicable, evidence that the Hydrogen Transport Infrastructure has been Commissioned; and</p> <p>(j) written confirmation from the Producer to the LCHA Counterparty that either: (i) no</p>	<p>meters and have commissioned any hydrogen storage and/or transport infrastructure.</p>

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		<p>Subsidy, State aid, Union Funding and/or International Funding has been received by the Producer or by any other person in relation to the costs of the Project (excluding the subsidy arising under the LCHA, the NZHF Grant Funding Agreement, the RTFO Scheme, the EII Exemption Regulations and/or any other Approved Scheme of Funding); or (ii) where such subsidy has been received, it has been repaid in full.</p>	
3.	<b>Adjustment to Installed Capacity Estimate (Part 4)</b>		
3.1	<p>Adjustments to Installed Capacity Estimate</p> <p>(Conditions 5 and 6)</p>	<p>The Producer is permitted to reduce the Installed Capacity Estimate in the following circumstances:</p> <p>(a) <u>Permitted Reduction</u>: A Producer may, at its discretion, reduce its Installed Capacity Estimate by up to ten per cent (10%) prior to the Milestone Delivery Date by issuing an adjustment notice to the LCHA Counterparty, specifying the amount by which the Installed Capacity will be lower than the Installed Capacity Estimate. A Producer may only make one permitted reduction and any adjustment will be irrevocable.</p> <p>(b) <u>Relevant Construction Event</u>: A Producer may notify the LCHA Counterparty, no later than three (3) months prior to the Longstop Date, that a Relevant Construction Event has occurred, specifying the proposed reduction to the Installed Capacity Estimate. If the LCHA Counterparty agrees with the</p>	<p>This approach follows the CfD precedent by giving the Producer some flexibility to reduce the capacity initially set out in the front end agreement, in specific circumstances. The LCHA Sales Cap is reduced proportionally to reflect the lower hydrogen producing capacity of the project.</p>

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		<p>Producer, both in terms of the Relevant Construction Event's occurrence and the new RCE-Adjusted Installed Capacity Estimate, the RCE-Adjusted Installed Capacity Estimate will become effective from the date of the LCHA Counterparty's response. If the Installed Capacity Estimate is adjusted in this manner, the new figure will be fixed and the Producer may not subsequently seek to increase it. A Relevant Construction Event adjustment may only be made once.</p> <p>Each of the notices referred to above must be accompanied by Supporting Information to evidence the new Installed Capacity Estimate and details of any change in assets comprising the Facility.</p> <p>If the Installed Capacity Estimate is reduced in accordance with the procedures outlined above, it will not result in any adjustment to the Strike Price. However, the LCHA Sales Cap will be reduced in proportion to the reduced Installed Capacity Estimate. The LCHA Sales Cap will then be readjusted in a similar manner if/when the Start Date occurs and again if/when the Final Installed Capacity is determined (see item 3.2 (<i>Final Installed Capacity</i>)).</p>	
3.2	Final Installed Capacity (Condition 7)	The Producer is required to demonstrate that it has commissioned an Installed Capacity of not less than ninety per cent (90%) of the Installed Capacity Estimate.	These provisions have been adapted from the CfD, using Allocation Round 4 (AR4) as the primary reference point. They hold the Producer to delivering the capacity agreed with Government, whilst providing some flexibility to account for delivery risks. The Required Installed Capacity is set at 90% of the

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		<p>The Producer is required to deliver a Final Installed Capacity Notice no later than ten (10) Business Days after the Longstop Date, specifying the Installed Capacity which has been Commissioned which: (i) must not exceed the Installed Capacity Estimate; and (ii) if it is lower than the Installed Capacity Estimate but higher than ninety per cent (90%) of the Installed Capacity Estimate, will be deemed to be equal to the lower of: (i) the Installed Capacity which has been Commissioned plus five per cent (5%) of the Installed Capacity Estimate; and (ii) the Installed Capacity Estimate.</p> <p>If the Producer fails to deliver a Final Installed Capacity Notice to the LCHA Counterparty by this deadline, the LCHA Counterparty will have the right, but not the obligation, to terminate the LCHA. If the LCHA Counterparty decides not to terminate the LCHA in these circumstances, the Final Installed Capacity at the Longstop Date will be deemed to be eighty per cent (80%) of the Installed Capacity Estimate.</p> <p>Once the Final Installed Capacity is determined in accordance with the above, the LCHA Sales Cap will be adjusted in proportion to the Final Installed Capacity compared to the Installed Capacity as at the Start Date. A similar adjustment will be made when the Installed Capacity is confirmed at the Start Date.</p>	<p>Installed Capacity Estimate. This is lower than the 95% level set under CfD Allocation Round 4 (AR4) (although the level has since changed for fixed-bottom offshore wind for CfD AR6). In addition, as long as a Producer achieves the Required Installed Capacity, up to 5% of the Installed Capacity Estimate is added to the determination of its Final Installed Capacity. These provisions provide Producers with more flexibility than the AR4 CfD offered, reflecting the first of a kind nature of HAR1 projects and the relatively higher technology and delivery risks. This illustrates how thresholds vary across technologies to reflect differing delivery risks.</p>
4.	<b>Payment Calculations and Billing and Payment (Parts 5 and 6)</b>		
4.1	Difference Amount	When the Strike Price exceeds the Reference Price for Qualifying Volumes, a top-up will be payable by the	The use of a variable premium mechanism broadly follows the precedent set by the CfD, where the

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	(Condition 10)	<p>LCHA Counterparty to the Producer for each unit of Hydrogen that is a Qualifying Volume (see item 4.2 (<i>Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes</i>)). This top-up – defined as the Difference Amount – will be calculated by deducting the Reference Price for Qualifying Volumes (see item 4.5 (<i>Reference Prices</i>)) from the Strike Price (see item 4.4 (<i>Strike Price</i>)) and multiplying the result by the aggregate value of the relevant Qualifying Volumes.</p> <p>When the Reference Price for Qualifying Volumes exceeds the Strike Price, an amount will be payable by the Producer to the LCHA Counterparty, which will be calculated by deducting the Strike Price from the Reference Price for Qualifying Volumes and multiplying the result by the aggregate value of the relevant Qualifying Volumes. This amount will also form part of the Difference Amount.</p> <p>Finally, Non-Qualifying Volumes will also be taken into consideration in the calculation of the Difference Amount but only when the Reference Price for Non-Qualifying Volumes exceeds the Strike Price, whereby an amount will be payable by the Producer to the LCHA Counterparty. Such amount will be calculated by deducting the Strike Price from the Reference Price for Non-Qualifying Volumes and multiplying the result by the aggregate value of the relevant Non-Qualifying Volumes. In these circumstances, the Difference Amount described in the first paragraph above will be reduced or, alternatively, the Producer will be required</p>	<p>subsidy paid is the difference between a 'Strike Price' and a 'Reference Price'. The variable premium mechanism was chosen following consultation with industry on different commercial design options in 2021<sup>2</sup>. A key benefit of this approach is value for money for Government, as the size of the premium payable could reduce in time as the hydrogen market develops.</p> <p>Payments to the Producer (when the Strike Price exceeds the Reference Price) are only made in respect of Qualifying Volumes, for the reasons set out in 4.2. However, payments made by the Producer to the LCHA Counterparty (when the Reference Price exceeds the Strike Price) apply to any volumes (including Non-Qualifying Volumes). This is to discourage Producers from choosing to produce and sell Non-Qualifying Volumes in a situation where the Reference Price exceeds their Strike Price.</p>

<sup>2</sup> Consultation on a business model for low carbon hydrogen, 2021: <https://www.gov.uk/government/consultations/design-of-a-business-model-for-low-carbon-hydrogen>

No.	Subject	Terms	Explanatory Notes
		<p>to make a Difference Amount payment to the LCHA Counterparty.</p> <p>Payments will be made on a £ per MWh (higher heating value (HHV)) basis.</p>	
4.2	<p>Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes</p> <p>(Definitions)</p>	<p>In order for the Producer to receive a Difference Amount payment from the LCHA Counterparty, the Producer must have sold Qualifying Volumes of Hydrogen that have been produced by the Producer's Hydrogen Production Plant.</p> <p>A Qualifying Volume is an Invoiced Volume to Relevant Offtaker which:</p> <ul style="list-style-type: none"> <li>(a) is purchased by a Qualifying Offtaker; and</li> <li>(b) is LCHS Compliant,</li> </ul> <p>and in each case which is not a RTFO Volume or Measured Hydrogen Output which is deemed not to be LCHS Compliant in accordance with any provision of the LCHA.</p> <p>A Non-Qualifying Volume is:</p> <ul style="list-style-type: none"> <li>(a) an Invoiced Volume to Relevant Offtaker which is not a Qualifying Volume pursuant to limb (a) and/or (b) of such definition and is not a RTFO Volume;</li> <li>(b) Excess Sales Volumes that are deemed to be Non-Qualifying Volumes (see item 4.12 (<i>LCHA Sales Cap and Annual Sales Cap</i>)); and</li> </ul>	<p>Subsidy payments are only made to Producers for Qualifying Volumes to ensure that Government is only supporting low carbon hydrogen production (i.e. hydrogen that meets the LCHS) and that it is achieving value for money for Government (i.e. purchased by a Qualifying Offtaker – see below).</p> <p>The LCHA allows Producers to participate in both the LCHA and the RTFO Scheme, as long as the same volumes are not subsidised twice under both the RTFO Scheme and HPBM (See 5.6).</p>

No.	Subject	Terms	Explanatory Notes
		<p>(c) any other volumes which are deemed to be Non-Qualifying Volumes pursuant to any provision of the LCHA.</p> <p>A RTFO Volume is an Invoiced Volume to Relevant Offtaker in respect of which Renewable Transport Fuel Certificates are claimed under the RTFO Scheme.</p>	
4.3	<p>Qualifying Offtakers and Non-Qualifying Offtakers</p> <p>(Definitions)</p>	<p>A Qualifying Offtaker is any Offtaker who:</p> <p>(a) is not a Non-Qualifying Offtaker; and</p> <p>(b) has been deemed to be a Qualifying Offtaker by the LCHA Counterparty pursuant to the Offtaker confirmation procedure and who remains a Qualifying Offtaker.</p> <p>A Non-Qualifying Offtaker is any Offtaker who:</p> <p>(a) is a Risk-Taking Intermediary;</p> <p>(b) exports Hydrogen produced by the Hydrogen Production Plant for use outside the UK;</p> <p>(c) imports Hydrogen produced by the Hydrogen Production Plant into any location outside the UK for use outside the UK; and/or</p> <p>(d) injects such Hydrogen into a Gas Transportation System for blending with Natural Gas,</p>	<p>Certain types of offtaker have been identified as posing challenges to value for money for Government and/or the development of the UK hydrogen economy. As such, they have been categorised as Non-Qualifying Offtakers and sales to such offtakers do not qualify for subsidy. Producers can still sell hydrogen produced by their facility to such offtakers, but these volumes are not subsidised and still accrue towards the project's LCHA Sales Cap. These Non-Qualifying Offtaker routes are:</p> <ul style="list-style-type: none"> <li>• Risk-Taking Intermediaries (RTIs). This is because subsidising sales of hydrogen to RTIs would make it challenging to monitor the use of hydrogen and to enforce restrictions on end users, such as not subsidising exports, and because we consider that allowing such entities to directly benefit from subsidy would not represent value for money for the taxpayer or billpayer in the early hydrogen economy. (Note that the HPBM does not exclude non-risk-taking intermediaries from playing a role in the market. Such parties may provide a service such as brokerage or storage but must not take ownership of the hydrogen.)</li> </ul>

No.	Subject	Terms	Explanatory Notes
		<p>and in each case who is deemed to be a Non-Qualifying Offtaker pursuant to the relevant provisions of the LCHA.</p> <p>A Risk-Taking Intermediary is an offtaker of Hydrogen produced by the Hydrogen Production Plant who enters into<sup>3</sup>:</p> <p>(a) an agreement with the Producer for the supply of, and transfer of, the legal and beneficial title in such Hydrogen to that offtaker for a purpose other than use by that offtaker for Fuel Purposes or Feedstock Purposes; and</p> <p>(b) one (1) or more agreement(s) to supply, and transfer the legal and beneficial title in, the same volumes of such Hydrogen to one (1) or more purchaser(s).</p>	<ul style="list-style-type: none"> <li>Exporting hydrogen. This is because exports would not contribute to UK decarbonisation and so do not present good value for money for Government.</li> <li>Blending hydrogen into the natural gas grid. This is because the technical, regulatory and policy regimes governing the blending of hydrogen into the natural gas system have not been put in place. This means that Producers would not have been able to offer a lower Strike Price to reflect the lower offtake risk that could be facilitated by the availability of blending in future.</li> </ul>
4.4	Strike Price	<p>The Strike Price (<i>expressed in £ per MWh (HHV)</i>) will be the unit price required by the Producer to enable it to recover the costs of producing low carbon hydrogen and make an allowed return on its investment. The level and specific components of the Strike Price will be negotiated on a project-by-project basis and will include agreed eligible costs.</p>	<p>The Strike Price is intended to provide Producers with price certainty, by enabling them to cover the core costs of low carbon hydrogen production and an allowed return on investment. It is agreed on a project-by-project basis.</p> <p>The Strike Price is categorised into Strike Price Inclusions, which are agreed with Government and itemised in the Producer's front end agreement. Any other costs incurred by the Producer (including, in order to offer services beyond the production of commodity hydrogen as reflected in the front end</p>

<sup>3</sup> Note to Reader: DESNZ has developed modifications to the LCHA that permit an intra-group contractual arrangement whereby a supplier who is an affiliate of the Producer sells Hydrogen produced by the Hydrogen Production Plant to one or more Offtaker(s) on behalf of the Producer pursuant to a supply agreement (a "SupplyCo Arrangement").

No.	Subject	Terms	Explanatory Notes
			<p>agreement) are considered Strike Price Exclusions. These are not factored into the calculation of the Difference Amount but can be recovered separately from offtakers. The reason for this approach is that low carbon hydrogen may be supplied at different specifications and by different routes, depending on the needs of individual offtakers. Government does not wish for the costs of highly bespoke offtake arrangements to be baked into a Producer's Strike Price. The ability to charge an amount in respect of Strike Price Exclusions to offtakers separately enables Producers to invest in additional services at their own risk and to recover the costs directly from offtakers.</p> <p>Higher Heating Value was chosen for payment purposes as this reflects the full energy potential of the fuel (assuming condensing equipment is installed). It also ensures the Strike Price, the Gas Reference Price and the Achieved Sales Price for hydrogen can be compared like for like; and reflects typical natural gas industry and international energy contracting approaches.</p>
4.5	Reference Prices (Condition 9)	<p>The reference prices (<i>expressed in £ per MWh (HHV)</i>) are intended to represent the market value of the Hydrogen sold by the Producer.</p> <p>The Reference Price for Qualifying Volumes will be the higher of:</p> <p>(a) the Producer's Achieved Sales Price for each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period; and</p>	<p>The Reference Price is intended to represent the market price received by the Producer for low carbon hydrogen. It is subtracted from the Producer's Strike Price to calculate subsidy payments. In the absence of a market benchmark price for low carbon hydrogen, we have set out a proxy Reference Price and will seek to encourage the development of a market benchmark as the hydrogen market develops. For initial projects, the Reference Price for Qualifying Volumes is the higher of the Producer's Achieved Sales Price (see 4.6</p>

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		<p>(b) the Floor Price or, if applicable, the alternative Floor Price that applies to each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period.</p> <p>The Reference Price for Non-Qualifying Volumes will be the higher of:</p> <p>(a) the Producer's Achieved Sales Price for each Relevant Offtaker in respect of Non-Qualifying Volumes in the relevant Billing Period; and</p> <p>(b) the Strike Price that applies in the relevant Billing Period.</p>	<p>– Achieved Sales Price) and the Floor Price (see 4.7 – Floor Price).</p> <p>This approach to the Reference Price was taken by assessing a series of options against key criteria, including promoting market development, supporting fuel switching by end users, and enabling Government support payments to reduce over time. The Achieved Sales Price is the closest proxy to a market benchmark in the near term for initial projects, whilst the Floor Price prevents the Producer from receiving additional support for sales below that price, improving value for money for Government.</p>
4.6	<p>Achieved Sales Prices ("ASPs")</p> <p>(Condition 9)</p>	<p>The Total Invoiced Amount (<i>expressed in £</i>) is the total sum charged by the Producer to each Relevant Offtaker (excluding an Own Consumption Offtaker) for the supply of Hydrogen, as set out in the relevant Offtaker Invoice.</p> <p>The Achieved Sales Price (<i>expressed in £ per MWh (HHV)</i>) is the Total Invoiced Amount less the sum of the Strike Price Exclusion Amounts divided by the Invoiced Volume for each Relevant Offtaker. Where relevant, there will be an Achieved Sales Price for Qualifying Volumes and for Non-Qualifying Volumes and each Achieved Sales Price will include only the same eligible costs as the negotiated Strike Price.</p> <p>The Producer must invoice each Offtaker (both Qualifying Offtakers and Non-Qualifying Offtakers) on a monthly basis, with each invoice setting out the Total</p>	<p>The Achieved Sales Price (ASP) represents the price received by a Producer from an offtaker for hydrogen. Where this number is higher than the relevant Floor Price (see 4.7 – Floor Price), the ASP is used as the Reference Price to calculate subsidy payments.</p> <p>The ASP is the price paid in respect of all eligible costs of production, corresponding to the Strike Price Inclusions agreed with Government (see 4.4 – Strike Price). Costs not included in the Strike Price (Strike Price Exclusions), which have been incurred in order to provide additional services to offtakers, can be charged to offtakers outside the ASP, but must also be recorded on the invoice for transparency.</p>

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		<p>Invoiced Amount and the Strike Price Exclusion Amounts. From the Start Date, the Producer will be required to provide each invoice to the LCHA Counterparty at the end of the month. For an Own Consumption Offtaker, the same principle is applied to determine the Achieved Sales Price for the relevant Own Consumption Volumes, although the Achieved Sales Price is calculated by reference to an internal transaction report provided by the Producer (rather than an actual invoiced amount).</p> <p>The LCHA Counterparty will then calculate an Achieved Sales Price for: (i) Qualifying Volumes and (ii) Non-Qualifying Volumes for the relevant Billing Period. The LCHA Counterparty has the right to publish such Achieved Sales Price figure on an anonymised basis.</p>	
4.7	Floor Price (Condition 9)	<p>The Floor Price (subject to the application of any alternative Floor Price - see item 4.8 (<i>Feedstock Offtakers: Alternative Floor Price</i>)) will be the lower of (i) the Strike Price and (ii) the Gas Reference Price, for the relevant Billing Period. Where the Gas Reference Price is less than zero (0), it will be deemed to be zero (0) for the purpose of calculating the Floor Price.</p>	<p>The Floor Price provides a lower limit to the Reference Price. For sales to offtakers of hydrogen for fuel purposes, the Floor Price is the natural gas price (see 4.9 - Gas Reference Price). For sales to offtakers of hydrogen for feedstock purposes, the floor price is the alternative floor price (see 4.8 - Alternative Floor Price).</p> <p>The Floor Price has been introduced because subsidising sales below this level could lead to distortions in energy and end use markets and would not deliver value for money for Government.</p> <p>The natural gas price has been chosen as it is the most common fuel from which end users would switch. Therefore, it is assumed that such end users would</p>

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			<p>likely be willing to pay at least that price for hydrogen. The alternative floor price is intended to reflect the higher willingness to pay on the part of feedstock users (see 4.8 – Feedstock Offtakers: Alternative Floor Price).</p> <p>The Floor Price is capped at the Producer’s Strike Price. This ensures that, in a scenario with unusually high natural gas prices, electrolytic Producers (whose costs are not inherently linked to the cost of natural gas) are not incentivised by government to sell to offtakers above their Strike Price.</p>
4.8	<p>Feedstock Offtakers: Alternative Floor Price</p> <p>(Condition 9)</p>	<p>If Qualifying Volumes are used for Feedstock Purposes by a Qualifying Offtaker, an alternative Floor Price will apply to those volumes (except in the calculation of the Price Discovery Incentive – see item 4.10 (<i>Price Discovery Incentive</i>)). The alternative Floor Price will be the lower of: (i) the Strike Price and (ii) the Gas Reference Price multiplied by 1.2, for the relevant Billing Period. Where the Gas Reference Price is less than zero (0), it will be deemed to be zero (0) for the purpose of calculating the alternative Floor Price.</p>	<p>Feedstock offtakers are those that use hydrogen as an input material to produce or manufacture any product(s) with a different chemical composition to hydrogen (including ammonia, petrochemicals, and synthetic fuels) and not as a fuel for heat, power, or combustion purposes.</p> <p>An alternative Floor Price is used for sales of hydrogen to feedstock offtakers as they are likely to have a higher willingness to pay based on the price of carbon intensive hydrogen (their alternative feedstock). In addition, they may have lower switching costs than other end users (if they already use hydrogen). As such, if feedstock offtakers were to access low carbon hydrogen at the natural gas price floor, it could lead to overcompensation and potentially create distortions in their end use markets.</p> <p>Multiplying the Gas Reference Price by 1.2 applies a 20% uplift to the floor price for sales to feedstock offtakers. This price is reflective of the marginal cost</p>

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			of producing grey hydrogen via an ATR (auto-thermal reformer) with GHR (gas-heated reformer). However, it is not so high as to discourage existing or future feedstock offtakers from using low carbon hydrogen.
4.9	Gas Reference Price (Condition 9)	The Gas Reference Price will be the arithmetic average of the Gas Settlement Price on each business day in the month preceding the relevant Billing Period for Month Ahead Natural Gas Contracts in the relevant Billing Period, as determined by the Gas Price Source. Where the Gas Fallback Price Trigger occurs, the Gas Fallback Price will apply.	The reference price for natural gas was chosen as the arithmetic average of the daily settlement price for a month ahead natural gas contract on the NBP UK Index. This is a transparent price and represents a highly liquid market. As such, Producers and offtakers can replicate the price in their own contracts (should they choose to), identify suitable hedging instruments to reduce basis risk and/or structure longer term offtake contracts.
4.10	Price Discovery Incentive (Condition 11)	<p>The Producer will receive a Price Discovery Incentive Amount linked to the increment by which the Reference Price for Qualifying Volumes exceeds the Floor Price (and, for the avoidance of doubt, not the alternative Floor Price) for each unit of Hydrogen that is a Qualifying Volume. If the Reference Price for Qualifying Volumes is higher than the Floor Price and:</p> <p>(a) the Reference Price for Qualifying Volumes is equal to or lower than the Strike Price, the Producer will receive ten per cent (10%) of the difference between the Reference Price for Qualifying Volumes and the Floor Price (even where the relevant Hydrogen volume(s) is sold to a Feedstock Offtaker i.e. the alternative Floor Price does not apply in this calculation) for each unit of Hydrogen that is a Qualifying Volume; or</p>	<p>The Price Discovery Incentive (PDI) is designed to promote price discovery and encourage the Producer to seek higher price sales for Qualifying Volumes of hydrogen. This will, in turn, accelerate the reduction in the Difference Amount and total subsidy paid. It enables the Producer to receive an additional amount linked to the increment by which the Reference Price exceeds the Floor Price for each unit of hydrogen sold. This amount has been set at 10% as we believe this to be capable of promoting price discovery whilst achieving value for money for Government.</p> <p>The PDI is not paid on the value of sales made above the Strike Price to avoid overcompensation of Producers.</p> <p>The decision not to factor in the alternative Floor Price for feedstock offtakers when calculating the PDI was</p>

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		<p>(b) the Reference Price for Qualifying Volumes exceeds the Strike Price, the Producer will receive ten per cent (10%) of the difference between the Strike Price and the Floor Price (even where the relevant Hydrogen volume(s) is sold to a Feedstock Offtaker i.e. the alternative Floor Price does not apply in this calculation) for each unit of Hydrogen that is a Qualifying Volume.</p>	<p>taken to keep the calculation of subsidy payments simpler. It is also in line with the aims of the PDI.</p>
4.11	Sliding Scale Volume Support (Condition 12)	<p>If the Producer is producing Hydrogen but its offtake/sales volumes are lower than fifty per cent (50%) of the Reference Volume (being the volume that would have been produced had the Facility, at the Installed Capacity, run at the Assumed Load Factor over the Billing Period) in a given Billing Period, and the Sliding Scale Top Up Condition is satisfied, the Producer will receive an additional amount for each unit of Hydrogen sold which is a Qualifying Volume, being the Sliding Scale Top Up Amount. If the Producer's offtake/sales volumes fall to zero in an individual Billing Period, no sliding scale top up support will be provided for that Billing Period.</p> <p>The Sliding Scale Top Up Amount will be payable in a Billing Period when:</p> <p>(a) a Qualifying Event has occurred;</p> <p>(b) the aggregate of: (i) the Total Invoiced Volumes; (ii) any QCiL Adjusted Revenues Volumes and (iii) the Unaccounted Volumes in the relevant Billing Period, is less than fifty</p>	<p>The Sliding Scale Top Up is intended to provide limited protection for volume risk beyond the control of the Producer. It provides some support for the residual volume risk left over from Producers managing this themselves (e.g. through take-or-pay arrangements with offtakers). The level of support is set to always encourage Producers to seek to increase production.</p> <p>The concept of a 'Non-Qualifying Event' is intended to reflect the aim of the sliding scale i.e. that protection is provided only in circumstances outside the control of the Producer.</p> <p>The trigger point for the sliding scale is 50% of expected sales volumes to align with the principle of only protecting Producers from unexpected drops in demand, rather than business as usual demand variation. Support under the Sliding Scale Top Up regime does not apply in a Billing Period where sales fall to zero. In other words, Producers must sell at least <i>some</i> hydrogen in the relevant Billing Period in order to qualify for this limited protection.</p> <p>In the calculation of the Sliding Scale Top Up Amount, the Non-Variable Cost Strike Price (NVCSP) is used.</p>

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		<p>per cent (50%) of the Reference Volume for that Billing Period; and</p> <p>(c) the difference between the Reference Volume and the Total Invoiced Volumes arising directly from a Non-Qualifying Event is less than fifty per cent (50%) of the Reference Volume,</p> <p>(the "<b>Sliding Scale Top Up Condition</b>").</p> <p>A Qualifying Event is an event or circumstance which causes the Total Invoiced Volumes to be less than the Reference Volume for the relevant Billing Period, except where such event or circumstance arises as a result of a Non-Qualifying Event.</p> <p>A Non-Qualifying Event means:</p> <p>(a) the Producer's breach of, or default under, the LCHA or any Offtake Agreement, or its negligence;</p> <p>(b) the Producer operating the Facility in a way that is designed to, or a main purpose of which is to, claim or maximise any Sliding Scale Top Up Amounts, including by curtailing, derating or shutting down the Facility;</p> <p>(c) the Hydrogen Production Plant is unavailable, curtailed or derated;</p> <p>(d) an outage event at any On-site Non-UKLCH Storage or Off-site Non-UKLCH Storage</p>	<p>For HAR1 electrolytic projects, we use an average of the NVCSP for all projects. This is to align with the principle of addressing general risks, rather than project specific ones, and to reduce administrative complexity.</p>

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		<p>which, in either case, is used by the Producer in relation to the Project; or</p> <p>(e) an outage of any Non-UKLCH Transport Infrastructure or Non-UKLCH Electricity Storage System which, in either case, is used by the Producer in relation to the Project.</p> <p>The Producer will be required to provide the LCHA Counterparty with supporting evidence in the relevant Payment Information Notice to demonstrate that the Sliding Scale Top Up Condition has been satisfied.</p>	
4.12	<p>LCHA Sales Cap and Annual Sales Cap</p> <p>(Condition 13)</p>	<p>The LCHA Sales Cap (<i>expressed in MWh (HHV)</i>) will be negotiated on a project-by-project basis (subject to any adjustment pursuant to a permitted reduction, Relevant Construction Event and/or any adjustment made at the Start Date or Longstop Date to reflect the Installed Capacity). The LCHA Sales Cap represents the Facility's forecast total Hydrogen production volumes during the LCHA term (i.e. forecast total Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes). In each Billing Period, the volumes of Hydrogen produced and sold by the Facility (including Own Consumption Volumes) from the Start Date will be aggregated (subject to any Excess Sales Volumes adjustment as summarised below) into a Total Accrued Volume figure (<i>expressed in MWh (HHV)</i>), which will then be compared against the LCHA Sales Cap to ensure that such cap is not exceeded during the term of the LCHA.</p> <p>For each Fiscal Year, the volumes of Hydrogen produced and sold by the Facility (including Own</p>	<p>The LCHA Sales Cap and Permitted Annual Sales Cap have been introduced to limit the volumes of hydrogen produced and sold by each facility. The rationale for this includes, i) capping the amount of subsidy a project can receive in a year and across the LCHA term, and ii) ensuring that projects with excess capacity (e.g. an electrolytic project that has been designed to operate at a lower load factor) cannot undercut the market by selling cheap hydrogen when they have already made a return on capital invested.</p> <p>The Permitted Annual Sales Cap has been set at 125% of the expected annual capacity of the facility. This is to provide Producers with a reasonable amount of flexibility to produce more within a year, for example to meet increased demand or make use of excess green electricity, whilst maintaining the benefits outlined above.</p> <p>To provide a clear incentive not to breach the Permitted Annual Sales Cap, any volumes sold above</p>

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		<p>Consumption Volumes) must not exceed the Permitted Annual Sales Cap (<i>expressed in MWh (HHV)</i>), which will be equal to the Assumed Load Factor multiplied by the total number of hours in the relevant Fiscal Year multiplied by the Installed Capacity (or Final Installed Capacity) multiplied by one point two five (1.25). In a Fiscal Year, the Total Invoiced Volumes for all Billing Periods in such year which exceed the Permitted Annual Sales Cap will be classified as Excess Sales Volumes and will be deemed to be Non-Qualifying Volumes for the purpose of calculating the Difference Amount.</p> <p>Without prejudice to the termination right discussed below, in the event that there are Excess Sales Volumes, an additional fifty per cent (50%) of such volumes will be added to the Total Invoiced Volumes for the purpose of calculating the Total Accrued Volume.</p> <p>In addition to this Excess Sales Volumes mechanism, if the Producer breaches the Permitted Annual Sales Cap in three (3) consecutive or non-consecutive Fiscal Years, the LCHA Counterparty will have the right to terminate the LCHA (see item 7.3 (<i>Producer Default Termination</i>)).</p> <p>Finally, when the Total Accrued Volume is equal to the LCHA Sales Cap, any additional volumes of Hydrogen produced and sold by the Facility will be deemed to be zero (0) and the LCHA will automatically expire on a no-liability basis (see item 2.1 (<i>Term and Specified Expiry Date</i>)).</p>	<p>it, in addition to being deemed Non-Qualifying Volumes, shall have an additional 50% added to them when calculating the Producer's Total Accrued Volume (which accrues towards the LCHA Sales Cap). As an additional safeguard against Producers consistently breaching this cap, a termination right arises for the LCHA Counterparty should the cap be breached on three occasions.</p>

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4.13	Strike Price Indexation  (Condition 14)	The Strike Price will be indexed to CPI.	The Strike Price for electrolytic projects is indexed to CPI (inflation) to provide some protection from the risk of costs changing over time. This is applied on an annual basis. It follows the approach taken by the CfD. The decision not to index the electricity supply component of the Strike Price to electricity prices was made for two primary reasons: 1) no suitable indices for long term electricity prices have been identified, and 2) there are instruments (e.g. power purchase agreements) available in the electricity market that Producers can access to manage this risk themselves. As such, Producers are better placed than Government to manage this risk.
4.14	Billing and Payment  (Part 6)	<p>Once the Start Date has been achieved, payments will be made by the LCHA Counterparty to the Producer, subject to the application of the relevant payment formulae set out in the LCHA and summarised above.</p> <p>The Producer will be required to deliver to the LCHA Counterparty a Payment Information Notice ("<b>PIN</b>"), no later than five (5) Business Days after the end of each Billing Period. The LCHA Counterparty will then deliver a UKLCH Billing Statement to the Producer for each Billing Period no later than ten (10) Business Days after the end of the relevant Billing Period.</p> <p>The UKLCH Net Payable Amount will be the sum of the Difference Amount, the Price Discovery Incentive Amount, the Sliding Scale Top Up Amount, any UKLCH Reconciliation Amount and any UKLCH Compensatory Interest Amount (all in respect of the relevant Billing Period).</p>	The Billing and Payment processes ensure that relevant information flows from the Producer to the LCHA Counterparty, and vice versa, in a timely manner. This information is essential for the calculation and payment of the subsidy.

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		<p>Payments will then be due to the Producer (if the UKLCH Net Payable Amount is positive) no later than ten (10) Business Days after the delivery of the relevant billing statement, provided that the LCHA Counterparty has received the PIN from the Producer by the relevant deadline.</p> <p>Any payments that are due to the LCHA Counterparty (if the UKLCH Net Payable Amount is negative) will need to be made by the Producer no later than eight (8) Business Days after the delivery of the relevant billing statement.</p> <p>If the Producer fails to submit a PIN by the deadline set out above, no payment will be due and the Producer will not be entitled to submit any further PINs until it submits the relevant missing PIN. If the Producer fails to submit a PIN within three (3) Months of the end of the relevant Billing Period, the LCHA Counterparty will not be required to make any payment in respect of such PIN and will have the right to estimate the ASPs for each Relevant Offtaker for the relevant Billing Period.</p> <p>If the Producer fails to submit a PIN within six (6) Months of the end of the relevant Billing Period, the LCHA Counterparty will have the right to terminate the LCHA.</p> <p>The Producer will only be entitled to access the Derived Data – which is relevant to the calculation of the Gas Reference Price – if it has entered into a</p>	

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		Derived Data Agreement with the LCHA Counterparty (which has not been terminated or become void).	
4.15	Set-Off (Condition 25)	<p>The LCHA includes reciprocal set-off rights for the Producer and the LCHA Counterparty (i.e. either Party may reduce the amounts that it is required to pay to the other Party, by any amounts that are owed to it by the other Party).</p> <p>The LCHA Counterparty may also set-off any amount of Other Subsidy or any RTFO Volume Clawback Amount against any amounts payable to the Producer under the LCHA.</p>	This is a standard contractual provision and also follows the precedent set by the CfD.
5.	<b>Representations, Warranties and Undertakings (Part 7)</b>		
5.1	Representations and Warranties (Conditions 28 and 29)	Both the Producer and the LCHA Counterparty are required to provide certain representations and warranties to each other on the Agreement Date and the Start Date.	The general form and scope of these representations and warranties follows the precedent set by the CfD.
5.2	Producer's General Undertakings (Condition 30)	<p>The Producer is required to provide the following undertakings to the LCHA Counterparty:</p> <p>(a) <u>Compliance with Laws and Directives</u>: The Producer must at all times comply with all Laws and Directives to which it may be subject, if a failure to do so would have or would reasonably be expected to have a Material Adverse Effect.</p> <p>(b) <u>Required Authorisations</u>: The Producer must: (i) promptly obtain all Required Authorisations; (ii) at all times perform, comply with and satisfy all conditions of, and</p>	<p>The inclusion of Producer General Undertakings follows the precedent set by the CfD. Several new undertakings have been added to the LCHA. In particular:</p> <ul style="list-style-type: none"> <li>Limbs (f) and (g) ensure that hydrogen storage infrastructure and hydrogen transport infrastructure that are subsidised under the LCHA remain exclusively owned and used by the Producer. This protects value for money for Government by preventing Producers from either selling or renting a subsidised storage or transport asset without permission from the LCHA Counterparty. It also simplifies the LCHA, as there</li> </ul>

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		<p>all obligations and liabilities under, all Required Authorisations; and (iii) do all that is necessary to maintain in full force and effect all Required Authorisations, to the extent, in each case, that a failure to do so would have or would reasonably be expected to have a Material Adverse Effect.</p> <p>(c) <u>Industry Documents</u>: The Producer must at all times comply with all terms of those Industry Documents to which it is a party or by which it is bound, if a failure to do so would have or would reasonably be expected to have a Material Adverse Effect.</p> <p>(d) <u>No insolvency action</u>: The Producer must not petition, apply for, institute, support or vote for the administration, winding-up or liquidation of the LCHA Counterparty or seek any other relief as against the LCHA Counterparty under any administration, insolvency or bankruptcy law or similar law affecting creditors' rights generally.</p> <p>(e) <u>Ownership</u>: The Producer must at all times be the legal and beneficial owner of the Facility, subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility.</p> <p>(f) <u>Hydrogen Storage</u>: If applicable, the Producer must at all times ensure that all Hydrogen Storage Infrastructure is</p>	<p>is no need to consider additional revenues a Producer could earn from selling or renting its subsidised storage or transport asset.</p> <ul style="list-style-type: none"> <li>• Limb (i) ensures that Producers comply with the data collection and monitoring procedures. These procedures are essential to check compliance with the LCHS.</li> </ul>

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		<p>exclusively owned (subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility) and used by the Producer to store Hydrogen produced by the Hydrogen Production Plant.</p> <p>(g) <u>Hydrogen Transport</u>: If applicable, the Producer must at all times ensure that all Hydrogen Transport Infrastructure is exclusively owned (subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility) and used by the Producer to transport Hydrogen produced by the Hydrogen Production Plant.</p> <p>(h) <u>Compliance of Technology</u>: The Producer must at all times ensure that the Hydrogen Production Technology deployed by the Facility is as specified in the front end agreement. If the Producer fails to comply with the compliance of technology undertaking, the LCHA Counterparty may withhold payment for the period during which the Producer is not in compliance with this undertaking.</p> <p>(i) <u>Data Collection and Monitoring Procedures</u>: The Producer must at all times comply with Annex 6 (<i>Data Collection and Monitoring Compliance with the LCHS</i>).</p>	

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5.3	Producer's Information Undertakings  (Condition 33)	<p>The Producer is required to provide the following information to the LCHA Counterparty:</p> <p>(a) <u>Initial facility data</u>: The Producer's estimate of, amongst other things, the expected Start Date along with estimates as to the Installed Capacity and commissioning profile of the Facility, such estimates to be provided on the Agreement Date and at monthly intervals thereafter.</p> <p>(b) <u>LCHA Counterparty Information</u>: All Information requested by the LCHA Counterparty (acting reasonably) to comply with its obligations under the LCHA. This Information must be provided within five (5) Business Days (or, if not within the possession of the Producer, ten (10) Business Days) of the LCHA Counterparty's request.</p> <p>(c) <u>KYC Information</u>: All Information requested by the LCHA Counterparty (acting reasonably) to conduct "know your customer" or similar identification procedures or checks under all applicable laws and regulations in respect of the transactions contemplated by the LCHA and the other LCHA Documents. This Information must be provided within twenty (20) Business Days (or thirty (30) Business Days if not in the possession of the Producer) of the LCHA Counterparty's</p>	<p>The Producer's Information Undertakings ensure the LCHA Counterparty receives information from Producers that is essential to administer the LCHA. Some of the provisions have been adapted from the CfD Information Undertakings, and some have been introduced specifically for the LCHA. Notable additions include:</p> <ul style="list-style-type: none"> <li>• In limb (c), additional provisions regarding KYC Information have been added. This is to ensure the LCHA Counterparty receives the information needed to carry out due diligence checks on Producers on an ongoing basis.</li> <li>• In limb (g), the requirement to supply information reasonably requested regarding UKLCH Programme status has been included to ensure the LCHA Counterparty, and Government, receive necessary information to evaluate the outcomes of the HPBM support scheme.</li> <li>• In limb (l), the Annual Compliance Report must be provided each year to confirm that the Producer has abided by key terms within the LCHA, primarily those related to the Offtaker Compliance Provisions and Offtaker Confirmation Procedure (see 5.4 Producer's MRV Undertakings).</li> <li>• In limb (m), the requirement to supply an Additional Revenue Report has been introduced to enable the LCHA Counterparty, and Government, to gather information about the value of additional revenues. This will be used to inform future policy making.</li> </ul>

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		<p>request. Such Information must be provided with a Directors' Certificate.</p> <p>(d) <u>Forecast Data</u>: The Forecast Data, within ten (10) Business Days of the Agreement Date and not later than 31 January in each year and at other regular intervals.</p> <p>(e) <u>Notification of significant events</u>: Notification of the occurrence of any event or circumstance which will or is reasonably likely to affect significantly any: (i) information included in a Payment Information Notice; or (ii) any Information provided by the Producer pursuant to (c) above, together with Supporting Information.</p> <p>(f) <u>Financial condition Information for LCHA Counterparty Permitted Purposes</u>: All Information reasonably requested by the LCHA Counterparty regarding the financial condition, business or operations of the Producer to enable or assist the LCHA Counterparty to fulfil the LCHA Counterparty Permitted Purposes. Such Information must be provided within ten (10) Business Days of the LCHA Counterparty's request.</p> <p>(g) <u>UKLCH Programme status</u>: All Information reasonably requested by the LCHA Counterparty for the purposes of: (i) compiling and evaluating statistics relating to the outcomes of the UKLCH Programme and the impact of that programme across a range</p>	<ul style="list-style-type: none"> <li>In limb (n), the requirement to provide information about changes to non-subsidised hydrogen storage and/or transport infrastructure, as well as electricity storage, has been introduced. This is so that the LCHA Counterparty continues to have good visibility of the project's physical and technical configuration.</li> </ul>

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		<p>of social and economic factors; and (ii) publishing material relating thereto, including announcements and reports describing the general outcomes, merits and achievements relating to the programme. Such Information must be provided within ten (10) Business Days of the LCHA Counterparty's request.</p> <p>(h) <u>Compliance with metering</u>: As soon as reasonably practicable upon request, all Information reasonably requested by the LCHA Counterparty for the purposes of assessing compliance by the Producer with the Metering Obligation(s) and Measurement Data Obligation(s).</p> <p>(i) <u>Litigation</u>: As soon as reasonably practicable upon becoming aware of them, the details of any litigation, arbitration or administrative suit or proceeding, adjudication, expert determination, Tax claim, or Tax investigation against the Producer which is current or pending and which, if adversely determined, would have or would be reasonably likely to have a Material Adverse Effect.</p> <p>(j) <u>Expected Facility Data</u>: The Expected Facility Data, within two (2) months of the Agreement Date, within two (2) months of the Milestone Delivery Date and then no later than 31 January in each year during the Term. Where the Expected Facility Data has not changed significantly since the last submission, the</p>	

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		<p>Producer is not required to resubmit the Expected Facility Data, but must provide written confirmation of the same. The Expected Facility Data must also be provided no later than ten (10) Business Days after the Producer becomes aware of the occurrence of certain events or following a request for such data from the LCHA Counterparty.</p> <p>(k) <u>Project status</u>: As soon as reasonably practicable following the LCHA Counterparty's request, all Information (kept to the Reasonable and Prudent Standard) that the LCHA Counterparty reasonably requests that represents the status and progress of the Project to date against contractual and Project milestones, showing the critical path of the Project towards these milestones up to the delivery of a Final Installed Capacity Notice.</p> <p>(l) <u>Annual Compliance Report</u>: To be provided in accordance with the Annual Compliance Report and Audit provisions in the LCHA (see item 5.4 (<i>Producer's Monitoring, Reporting and Verification (MRV) Undertakings</i>)).</p> <p>(m) <u>Additional Revenue</u>: Each Additional Revenue Report, no later than 31 January in each year during the Payment Period together with a Directors' Certificate and Supporting Information.</p>	

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		<p>(n) <u>Transport, storage and electricity storage</u>: As soon as reasonably practicable upon becoming aware of them, the details of any changes to any: (i) On-site Non-UKLCH Storage; (ii) Off-site Non-UKLCH Storage; (iii) Non-UKLCH Transport Infrastructure; and/or (iv) Non-UKLCH Electricity Storage System.</p>	
5.4	<p>Producer's Monitoring, Reporting and Verification (MRV) Undertakings  (Conditions 36, 37, 40 and 41)</p>	<p>(a) <u>Offtaker Confirmation Procedure</u>: If at any time:</p> <p>(i) the Producer enters into, amends or varies, replaces or transfers any Offtake Agreement, the Producer is required to submit an Offtaker Confirmation Request Notice to the LCHA Counterparty within thirty (30) Business Days, together with the Small Offtaker Information or Large Offtaker Information (as applicable); and/or</p> <p>(ii) the Producer intends to be an Own Consumption Offtaker, the Producer is required to submit an Own Consumption Confirmation Request Notice to the LCHA Counterparty which must contain information including, but not limited to, the Producer's intended end-use of the Hydrogen.</p>	<p>A bespoke set of undertakings have been developed for the LCHA. The purpose of these provisions is to ensure the LCHA Counterparty receives the necessary information and assurances from Producers to assess compliance with the terms of the LCHA and make subsidy payments.</p> <p>The Offtaker Confirmation Procedure requires Producers to provide certain information to the LCHA Counterparty about an offtaker following the signing/amendment of an offtake agreement. This includes, among other things, the identity of the offtaker and the purpose for which they intend to use the hydrogen. Less information is required for smaller offtakers (those that are forecast to purchase less than 1500MWh/yr) to ease the administrative burden associated with lower-value and/or one-off sales, and hence to ensure that spot or replacement volume transactions remain viable under the LCHA.</p> <p>The Offtaker Compliance Provisions are required to be included in all offtake agreements signed by the Producer. They include, among other things, obligations for the offtaker not to use subsidised hydrogen for non-qualifying purposes. As part of the</p>

No.	Subject	Terms	Explanatory Notes
		<p>In each case, the Producer must then follow the prescribed notification procedure, following which the Offtaker (or, in the case of own consumption, the Producer) will be deemed to be a Qualifying Offtaker or a Non-Qualifying Offtaker. Failure by the Producer to provide the relevant notice or Offtaker Supporting Information in accordance with such procedure will give the LCHA Counterparty the right to: (i) suspend payments under the LCHA; (ii) deem the relevant Offtaker or (where applicable) the Producer to be a Non-Qualifying Offtaker; or (iii) terminate the LCHA.</p> <p>(b) <u>General Producer Compliance Obligations:</u> The Producer must ensure that each Offtake Agreement includes: (i) the Offtaker Compliance Provisions; and (ii) one (1) or more express contractual right or remedy against the relevant Offtaker for any non-material breach of the Offtaker Compliance Provisions, along with the right to terminate the relevant Offtake Agreement for any persistent, material or wilful breach of the Offtaker Compliance Provisions. The Producer is also required to:</p> <p>(i) use reasonable endeavours to perform its obligations under and observe all the terms of each Offtake Agreement;</p>	<p>Offtaker Confirmation Procedure, Producers must confirm that these provisions have been included in the relevant offtake agreement.</p> <p>The Offtaker Confirmation Procedure and Offtaker Compliance Provisions have been designed to leave Producers in control of their compliance with the LCHA. For example, a Producer must demonstrate “reasonable endeavours” to observe and perform its obligations under all the terms of each offtake agreement. As such, a Producer will not be in breach of the LCHA if, having used said reasonable endeavours, an offtaker is subsequently found to have breached the compliance provisions in their offtake agreement. In other words, these provisions do not leave Producers in a position where a lack of cooperation from their offtakers could lead to the LCHA being terminated. This is to ensure the bankability of the LCHA.</p> <p>This set of MRV provisions have been put in place ultimately to safeguard public money. It is important that the LCHA Counterparty and DESNZ have full confidence that public money is being used responsibly and for the realisation of the net zero goals encapsulated in the LCHA and in the Energy Act 2023.</p> <p>The Producer is required to provide the LCHA Counterparty with an Annual Compliance Report which, amongst other things, confirms that the Producer has complied with its MRV undertakings. Each Annual Compliance Report must be accompanied by: (i) a Directors' Certificate; (ii) an Annual Auditor's Certificate, together with an Annual</p>

No.	Subject	Terms	Explanatory Notes
		<p>(ii) notify the LCHA Counterparty where:            (i) an Offtaker is in breach of the Offtaker Compliance Provisions; (ii) any Offtake Agreement is terminated; and/or (iii) the Producer grants a waiver/release in respect of a breach described in (i);</p> <p>(iii) use reasonable endeavours to enforce its rights or remedies against any Offtaker who breaches the Offtaker Compliance Provisions; and</p> <p>(iv) where any information contained in any Offtaker Confirmation Request Notice, Own Consumption Confirmation Request Notice, Offtaker Supporting Information, Annual Compliance Report or Payment Information Notice was inaccurate or misleading, notify the LCHA Counterparty and provide the correct information.</p> <p>(c) <u>Own Consumption Obligation</u>: If the Producer is an Own Consumption Offtaker, the Producer must ensure that, for any Total Invoiced Volumes which are Qualifying Volumes, it: (i) is not a Risk-Taking Intermediary in respect of such volumes; (ii) does not export such volumes for use outside of the UK; (iii) does not inject such volumes into a Gas Transportation System for blending with Natural Gas; and (iv) does not</p>	<p>Compliance Audit Report; and (iii) a LCHS Compliance Audit Report.</p>

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		<p>claim such volumes under the RTFO Scheme. Any breach of such Own Consumption Obligations will result in an Own Consumption Obligation Termination Event.</p> <p>(d) <u>LCHA Counterparty Audit Right</u>: The Producer must:</p> <p>(i) grant the LCHA Counterparty (and any suitably qualified person nominated by the LCHA Counterparty) access to: (i) the Producer; (ii) any plant, machinery, property, processing or storage facility associated with the Facility, in each case owned, occupied or controlled by the Producer and to which the Producer can lawfully grant access; (iii) the Producer's personnel, systems, books, records and any other information, and (iv) the directors, officers and employees of the Producer; and</p> <p>(ii) use reasonable endeavours to procure that each Offtaker grants the LCHA Counterparty access to: (i) the Offtaker; (ii) any plant, machinery, meters, property, processing or storage facility, associated with the Offtaker, in each case owned, occupied or controlled by the Offtaker and to which the Offtaker can lawfully</p>	

No.	Subject	Terms	Explanatory Notes
		<p>grant access; and (iii) the Offtaker's personnel, systems, books, records and any other information,</p> <p>in each case as the LCHA Counterparty considers reasonably necessary to assess the Producer's compliance with the undertakings summarised above.</p> <p>(e) <u>Annual Audit Report</u>: The Producer must, no later than eighty (80) Business Days following the end of each Fiscal Year, provide the LCHA Counterparty with an Annual Compliance Report which meets the Annual Compliance Report Minimum Requirements (these include, but are not limited to, confirmation that the Producer has complied with its MRV undertakings and details of any Offtaker Volume Change). Each Annual Compliance Report must be accompanied by: (i) a Directors' Certificate; (ii) an Annual Auditor's Certificate, together with an Annual Compliance Audit Report; and (iii) a LCHS Compliance Audit Report (detailed in section 21 (<i>Annual Audit Reports</i>) below).</p>	
5.5	<p>Producer Undertakings: Metering and Measurement Data</p> <p>(Conditions 31 and 32)</p>	<p>The LCHA requires the Producer to install and maintain:</p> <p>(a) Hydrogen Meter Measurement System(s) for measuring Hydrogen output in order to demonstrate compliance with the LCHS and verify quantities of Hydrogen reported in the PIN;</p>	<p>Meters are required to measure key inputs to the hydrogen production process, as well as the output of hydrogen. These measurements will be used to monitor compliance with the LCHS and to calculate relevant payments. These undertakings ensure that Producers install and maintain these meters in</p>

No.	Subject	Terms	Explanatory Notes
		<p>(b) Electricity Meter Measurement System(s) for measuring electricity supply in order to demonstrate compliance with the LCHS; and</p> <p>(c) Water Meter Measurement System(s) for measuring water supply in order to demonstrate compliance with the LCHS.</p> <p>The Producer undertakes: (i) that each Meter Measurement System complies with the applicable rules and standards set out in the LCHS and Annex 9 (<i>Metering Operational Framework and Technical Specifications</i>) of the LCHA and has been correctly installed and configured; and (ii) that any faults or issues with such systems are investigated. See item 17 (<i>Metering Operational Framework and Technical Specifications</i>) for further detail.</p> <p>If the Producer breaches a Metering Obligation, the Producer must: (i) provide a Metering Remediation Plan to the LCHA Counterparty for approval; and (ii) once approved, implement the Metering Remediation Plan to remedy the breach. If the Producer fails to comply with its obligations described in (i) and (ii) above, a Termination Event will be deemed to have occurred.</p> <p>The Producer must also provide Measurement Data to the LCHA Counterparty (in accordance with the DCMP) and ensure that such data is not misleading. The Producer must notify the LCHA Counterparty of any errors and provide updated Measurement Data to the LCHA Counterparty to correct the relevant errors.</p>	<p>accordance with prescribed specifications, and that they provide accurate data to the LCHA Counterparty.</p>

No.	Subject	Terms	Explanatory Notes
		<p>If the Producer breaches the Measurement Data Obligation, the LCHA Counterparty may suspend payments until the breach is rectified. The provision of misleading Measurement Data by the Producer will be deemed to constitute a Termination Event provided that (i) the Producer knew such data was misleading; (ii) the Producer acted recklessly in providing such data; or (iii) there have been three (3) or more Producer System Failures in any rolling three (3) year period when providing such data.</p>	
5.6	<p>LCHA and RTFO Scheme Dual Participation Undertakings  (Condition 33)</p>	<p>The LCHA contains a RTFO Compliance Obligation, under which the Producer must ensure that the Total Invoiced Volumes which are Qualifying Volumes are not claimed under the RTFO Scheme. If this obligation is breached, the Producer must notify the LCHA Counterparty and must repay the RTFO Volume Clawback Amount. The LCHA Counterparty may suspend all payments under the LCHA until such amount is repaid and if it is not repaid within thirty (30) Business Days of notification of the breach, such amount may be set off against any amounts payable to the Producer under the LCHA.</p> <p>A cut-off date of three (3) years (after the last day of the relevant Billing Period) applies to the Producer's liability for a RTFO Compliance Obligation breach, provided that the breach arises solely as a result of an Offtaker or other third party claiming Qualifying Volumes under the RTFO Scheme and where the Producer had: (i) made all due and careful enquiries in relation to such breach and (ii) included relevant</p>	<p>The LCHA allows Producers to participate in both the LCHA and the RTFO Scheme as long as the same hydrogen volumes do not receive subsidy under both schemes, so as to comply with subsidy control principles.</p> <p>Dual participation will help Producers to diversify revenue streams. It facilitates the development of projects able to sell hydrogen to both transport sector users (supported by the RTFO Scheme) and non-transport sector users (supported by the HPBM) and avoids Producers having to split projects into two distinct facilities where they are targeting both HPBM and RTFO revenues. Allowing dual participation reduces HPBM subsidy costs to the extent that volumes are claimed under the RTFO Scheme.</p>

No.	Subject	Terms	Explanatory Notes
		pass down provisions relating to dual LCHA/RTFO participation in the relevant Offtake Agreement.	
5.7	Subsidy Cumulation: Warranty and Undertaking  (Condition 33)	<p>The LCHA includes a prohibition on subsidy cumulation in respect of the costs of the Project and an obligation for the Producer to repay any subsidy it receives in relation to such costs (excluding the LCHA subsidy). If the Producer is able to evidence that the grantor of the Other Subsidy refuses to accept repayment, then such amount will be set off against any amounts payable to the Producer under the LCHA.</p> <p>The LCHA also includes specific exemptions to the prohibition on subsidy cumulation, provided that the Producer does not receive subsidy support in respect of the same Project costs. Such exemptions include subsidy arising under the NZHF Grant Funding Agreement, the RTFO Scheme, the EII Exemption Regulations and/or any Approved Scheme of Funding (the details of which will be negotiated and agreed on a project-by-project basis).</p> <p>Subject to the application of any such exemptions, a breach of the subsidy cumulation warranty or a failure to comply with the subsidy cumulation undertaking will give the LCHA Counterparty the right to suspend all payments under the LCHA.</p>	<p>The Subsidy Cumulation provisions follow the general precedent set by the CfD, i.e. Producers are prohibited from receiving other subsidies in relation to the costs of the project. Specific carve-outs have been introduced for the LCHA to enable Producers to access:</p> <ul style="list-style-type: none"> <li>• NZHF. This scheme provides development and capital expenditure grants to support the development and construction costs of low carbon hydrogen production facilities. Any NZHF grant is awarded to the Producer at the same time as the LCHA. The costs covered by the NZHF grant are not included in the LCHA Strike Price and the overall subsidy package offers improved value for money.</li> <li>• RTFO Scheme (see item 5.6)</li> <li>• Energy Intensive Industry (EII) Exemption scheme. Producers are eligible for EII support under the British Industry Supercharger initiative, provided they meet relevant criteria. The electricity policy costs for which Producers receive relief under this scheme are not included in the LCHA Strike Price, in line with the general approach that taxes and duties are ineligible costs for inclusion in the Strike Price.</li> </ul>

No.	Subject	Terms	Explanatory Notes
			<ul style="list-style-type: none"> <li>Approved Schemes of Funding where applicable for a particular project.</li> </ul>
5.8	UK ETS Free Allowances (Condition 34)	<p>The LCHA prohibits the Producer (and other third parties) from applying for or receiving free allowances from the UK ETS Registry Administrator in respect of the Facility. A breach of this prohibition constitutes a Termination Event under the LCHA (see item 7.3 (<i>Producer Default Termination</i>)). The Producer must also notify the LCHA Counterparty of such a breach if it occurs.</p>	<p>Producers (or other third parties) are prohibited from applying for, or receiving, UK ETS free allowances in respect of the Facility. This is to avoid overcompensation. In practice, this will not be relevant to electrolytic Producers as they do not emit carbon dioxide in their operations. Note that there is no prohibition on hydrogen users applying for UK ETS Free Allowances if they are eligible for them.</p>
5.9	Producer's Supply Chain Reporting (Condition 35)	<p>The LCHA requires the Producer to provide a report on economic benefits and its supply chain to the LCHA Counterparty by the following deadlines:</p> <ul style="list-style-type: none"> <li>(a) 1st report by the Milestone Delivery Date;</li> <li>(b) 2nd report by the 3rd anniversary of the Start Date;</li> <li>(c) 3rd report by the 7th anniversary of the Start Date; and</li> <li>(d) 4th report by the 11th anniversary of the Start Date.</li> </ul> <p>A breach of this reporting obligation may result in Supply Chain Report Fees being levied against the Producer, which would be deducted from future payments made by the LCHA Counterparty to the Producer.</p>	<p>The requirement for Producers to provide Supply Chain Reports at specific intervals was introduced so that Government receives important information about the development of hydrogen supply chains. This will be used to inform policy making.</p>

No.	Subject	Terms	Explanatory Notes
5.10	NQ Volume Clawback (Condition 38)	<p>The LCHA requires the Producer to undertake that no Difference Amounts are paid to the Producer in respect of Non-Qualifying Volumes. If this undertaking is breached, the Producer must repay the NQ Volume Clawback Amount to the LCHA Counterparty.</p> <p>A cut-off date of three (3) years (after the last day of the relevant Billing Period) applies to the Producer's liability to repay any Difference Amounts paid in respect of Non-Qualifying Volumes. However, this cut-off date does not apply if the relevant PIN (i.e. relating to the Difference Amount payment) was misleading and: (i) the Producer knew that the PIN was misleading; (ii) the Producer acted recklessly in providing the PIN; or (iii) the Producer failed to make all due and careful enquiries when providing the PIN.</p>	<p>The NQ Volume Clawback provisions compel Producers to repay any subsidy received for non-qualifying hydrogen sales. However, if a period of three years has passed since the relevant Billing Period and it is discovered that subsidy was paid for non-qualifying hydrogen sales, then there will be no clawback. This is to provide Producers with more certainty. An exception to the cut-off date applies if the relevant Payment Information Notice (PIN) was misleading and the Producer knew this, acted recklessly or failed to make all due and careful enquiries. This is to ensure the LCHA Counterparty can claw back subsidy paid on non-qualifying volumes at any point in such circumstances.</p>
5.11	Affiliate Offtaker (Condition 39)	<p>If an Offtaker becomes affiliated with a Producer following the occurrence of any Significant Common Ownership, the Producer must undertake not to issue an Offtaker Invoice or a PIN with an ASP for the relevant Offtaker which is lower than the ASP that would have been calculated under the Offtake Agreement as it existed prior to the occurrence of the Significant Common Ownership.</p> <p>Significant Common Ownership has been defined to mean where a single legal entity holds an interest (direct or indirect) in 25% or more of the equity share capital of each of the Producer and an Offtaker. The Producer is also under an obligation to provide a KYC Notice notifying the LCHA Counterparty of any</p>	<p>The Affiliate Offtaker provisions have been introduced to protect value for money for Government. There is a risk that, following the establishment of a Significant Common Ownership between a Producer and an offtaker, the commercial incentive to sell hydrogen above the Floor Price is eroded or removed completely. Therefore, the Affiliate Offtaker provisions ensure that any pre-existing commercial terms between a Producer and offtaker are retained.</p>

No.	Subject	Terms	Explanatory Notes
		<p>transaction that would result in Significant Common Ownership.</p> <p>If the Producer breaches this undertaking, the LCHA Counterparty will recalculate the ASP and, if relevant, include a UKLCH Reconciliation Amount in the next Billing Statement in respect of any overpayment. Three (3) breaches of this undertaking will constitute a Termination Event.</p>	
6.	<b>Changes in Law (Part 8)</b>		
6.1	Qualifying Change in Law (Condition 42 and Definitions)	<p>The LCHA contains Qualifying Change in Law ("<b>QCIL</b>") provisions in respect of the following three (3) categories of Change in Law:</p> <p>(a) <u>Discriminatory Change in Law</u>: This is a Change in Law which specifically applies to the particular: (i) Project; (ii) Facility; or (iii) Producer.</p> <p>(b) <u>Specific Change in Law</u>: This is a Change in Law that specifically (and not merely indirectly or consequentially or by virtue of the disproportionate effect of any Change in Law that is of general application) applies to:</p> <p>(i) hydrogen production facilities (or the holding companies of entities who operate such facilities) deploying the same hydrogen production technology as the Producer and not to any other hydrogen production facilities;</p>	<p>The structure of the QCIL provisions follows the precedent set by the CfD, with limbs (a) – (c) adapted for the LCHA and hydrogen production facilities. These broadly follow the ‘no better, no worse’ principles in the CfD (i.e. to place the Parties in the position they would have been in had the QCIL not occurred).</p> <p>Specific QCIL limbs have been included in the LCHA to:</p> <ul style="list-style-type: none"> <li>protect Producers should the level of exemption provided to eligible Producers for green levies through the Energy Intensive Industry (EII) Exemption scheme fall below 85%. This is intended to support the competitiveness of electrolytic hydrogen and provide Producers and investors with greater certainty in respect of the LCHA protections that will apply in the event of EII Exemption scheme changes.</li> </ul>

No.	Subject	Terms	Explanatory Notes
		<p>(ii) hydrogen production facilities (or the holding companies of entities who operate such facilities) which are subject to a LCHA, and not to hydrogen production facilities which are not subject to a LCHA; or</p> <p>(iii) facilities (or the holding companies of entities who operate such facilities) deploying the same hydrogen production technology as the Producer and which are subject to a LCHA, and not to other facilities which are not the same or similar type of facility and which are subject to a LCHA.</p> <p>(c) <u>Other Change in Law</u>: This is a Change in Law which, whilst not specifically applying to the Producer or its Facility, has an undue and discriminatory effect on the out-of-pocket costs incurred or saved by the Producer when compared with the out-of-pocket costs incurred or saved by one of the following UK comparator groups:</p> <p>(i) all hydrogen production facilities deploying a Material Hydrogen Production Technology;</p> <p>(ii) all other hydrogen production facilities deploying the same hydrogen production technology;</p>	<ul style="list-style-type: none"> <li>clarify that the LCHA Counterparty will be entitled to recover any support the Producer receives for network charges (TNUoS, BSUoS, DUoS) under the EII Network Charging Compensation (NCC) Scheme as part of the British Industry Supercharger initiative where this would lead to double subsidy.</li> <li>provide QCiL protection in the case of certain changes to the LCHS Data Annex that are inconsistent with the agreed version of the LCHS specified in the Producer's front end agreement.</li> </ul> <p>The LCHA clarifies that changes in law resulting from specified Review of Electricity Market Arrangements (REMA) publications are not considered foreseeable and so may be Qualifying Changes in Law. This reduces risk for Producers in relation to the uncertainty over the potential impacts of REMA on their costs and revenues.</p>

No.	Subject	Terms	Explanatory Notes
		<p>(iii) all hydrogen production facilities excluding those deploying the same hydrogen production technology; or</p> <p>(iv) hydrogen production facilities not subject to a LCHA.</p> <p>QCIL protection is not available to Producers in respect of foreseeable changes in law. A Change in Law resulting from the Review of Electricity Market Arrangements consultation is carved out from the Foreseeable Change in Law definition.</p> <p>The following Changes in Law will expressly constitute a QCIL under the LCHA:</p> <p>(a) a Change in Law which results in a decrease to the energy intensive industries subsidy intensity threshold to below eighty-five per cent (85%);</p> <p>(b) a change in law which results in Producers being compensated in respect of their liability to pay: (i) TNUoS Charges; (ii) DUoS Charges; and/or (iii) BSUoS Charges; and</p> <p>(c) a direction from the LCHA Counterparty that the Producer must comply with an amendment to the LCHS Data Annex which is not legally binding and is inconsistent with the agreed version of the LCHS.</p>	
6.2	QCIL Compensation	The QCIL compensation provisions have effect both ways whereby the Producer will be entitled to	The structure of the QCIL Compensation provisions broadly follows the CCUS Programme contracts. The

No.	Subject	Terms	Explanatory Notes
	(Condition 43)	<p>compensation if a QCiL results in net costs for the Producer, and the LCHA Counterparty will be entitled to compensation if a QCiL results in net savings for the Producer. The main categories of compensation that will be payable to/from a Producer relate to QCiLs that:</p> <ul style="list-style-type: none"> <li>(a) permanently prevent the construction of a Facility (a QCiL Construction Event);</li> <li>(b) affect a Producer's capex;</li> <li>(c) affect a Producer's opex;</li> <li>(d) affect a Producer's ability to produce low carbon hydrogen and hence the market revenue and LCHA subsidy that the Producer receives for such hydrogen; and</li> <li>(e) permanently prevent a Facility from operating (a QCiL Operations Cessation Event).</li> </ul>	compensation formulae have been adapted to make them suitable for the LCHA.
6.3	Qualifying Shutdown Events (Condition 46)	<p>A Qualifying Shutdown Event is where the Government or a governmental authority permanently prevents the Hydrogen Production Plant from operating or refuses to give approval for a period exceeding twenty-four (24) months, to a request to restart operations at the Hydrogen Production Plant. There are certain exceptions to this definition, namely where the shutdown event:</p> <ul style="list-style-type: none"> <li>(a) occurs because the Government/a governmental authority was required to act in this way under European or International law, provided that the Government/a governmental authority used reasonable</li> </ul>	This follows the precedent set by the CfD. It sets out the process for determining any compensation payable to the Producer if their plant is shut down by Government or a governmental authority. As with the CfD, certain exceptions have been retained.

No.	Subject	Terms	Explanatory Notes
		<p>endeavours to oppose and prevent the adoption of that law;</p> <p>(b) was for reasons relating to health, safety, security, environment, transport, or damage to property in relation to: (i) the Hydrogen Production Plant, the hydrogen production therefrom; (ii) the Producer; (iii) the site on which the Facility is situated; (iv) the management of the Hydrogen Production Plant, the Producer, or the site; or (v) (in conjunction with at least one of the other parts of this paragraph (b)) the production of hydrogen using the same hydrogen production technology as the Facility;</p> <p>(c) arose as a result of the negligence, breach or fault of the Producer, or a failure to act in accordance with the Reasonable and Prudent Standard by the Producer or any of its representatives; or</p> <p>(d) relates to any decision by any Subsidy Control Competent Authority or any other competent authority on the application of the subsidy control rules to the LCHA.</p> <p>A Qualifying Shutdown Event that occurs on or after the Start Date will constitute a QCiL Operations Cessation Event under the LCHA, in respect of which a Producer is entitled to receive specified compensation from the LCHA Counterparty.</p>	

No.	Subject	Terms	Explanatory Notes
6.4	Change in Applicable Law (Conditions 48, 49 and 50)	The LCHA Counterparty is entitled to propose amendments to the LCHA where any new law, or a change to the manner in which an existing law is interpreted or applied, renders the LCHA illegal, invalid, unenforceable or inoperable.	This follows the precedent set by the CfD. Its purpose is to set out the process for the LCHA Counterparty to propose changes to the LCHA should it become illegal, invalid, unenforceable or inoperable following a change in law.
7.	<b>Termination and Consequences of Termination (Part 9)</b>		
7.1	Pre-Start Date Termination (Condition 52)	<p>The LCHA includes the right (but not the obligation) for the LCHA Counterparty to terminate the LCHA where:</p> <ul style="list-style-type: none"> <li>(a) <u>Initial Conditions Precedent</u>: the Producer fails to fulfil the Initial Conditions Precedent within twenty (20) Business Days following the Agreement Date;</li> <li>(b) <u>Directors' Certificate</u>: at any time prior to the Start Date, any Directors' Certificate provided by the Producer is, amongst other things, misleading;</li> <li>(c) <u>Milestone Requirement</u>: the Producer fails to fulfil the Milestone Requirement before the Milestone Delivery Date (twelve (12) months after the Agreement Date). The Milestone Delivery Date will be adjusted day-for-day for any unavoidable delays that occur due to Force Majeure and, where applicable, delays by the relevant authority in establishing an electricity grid connection and/or a water connection;</li> <li>(d) <u>Longstop Date</u>: the Producer fails to satisfy the Operational Conditions Precedent by the</li> </ul>	The Pre-Start Date Termination provisions follow the precedent set by the CfD. They provide the LCHA Counterparty with the right, but not the obligation, to terminate an LCHA before the Start Date if certain breaches occur. No compensation will be due by either party in this event, as is the case with the CfD. Such rights will ensure that LCHA funding that has been committed to support the deployment of low carbon hydrogen production facilities is not tied up indefinitely in a project that has no realistic prospect of being commissioned.

No.	Subject	Terms	Explanatory Notes
		<p>Longstop Date (twelve (12) months following the final day of the Target Commissioning Window). The Longstop Date will be adjusted day-for-day for any unavoidable delays that occur due to Force Majeure and, where applicable, delays by the relevant authority in establishing an electricity grid connection and/or a water connection; and</p> <p>(e) <u>Producer Default Termination</u>: a Termination Event (as summarised in item 7.3 (<i>Producer Default Termination</i>)) occurs and is continuing at any time prior to the Start Date.</p> <p>Pre-Start Date termination will occur on a no-liability basis.</p>	
7.2	<p>Termination for failing to satisfy the Minimum Longstop Date Commissioning Requirements</p> <p>(Condition 52)</p>	<p>The LCHA Counterparty has the right (but not the obligation) to terminate the LCHA in the following circumstances:</p> <p>(a) if the Producer fails to deliver to the LCHA Counterparty the Final Installed Capacity Notice by no later than ten (10) Business Days after the Longstop Date; or</p> <p>(b) if the Producer fails to satisfy the Minimum Longstop Date Commissioning Requirements during the Longstop Date Performance Tests, which include: (i) that an Installed Capacity of not less than ninety per cent (90%) of the Installed Capacity Estimate has been Commissioned; and (ii) that the</p>	<p>This builds on the precedent set by the CfD. It provides a route to termination of the LCHA if a Producer has not fulfilled its contractual obligations to deliver a low carbon hydrogen production facility of an agreed capacity within the agreed timeframe. Again, this is so that LCHA funding is not tied up in a project that is not capable of delivering the required amount of low carbon hydrogen.</p>

No.	Subject	Terms	Explanatory Notes
		<p>Facility can produce Hydrogen that is LCHS Compliant.</p> <p>Termination for failing to satisfy the Minimum Longstop Date Commissioning Requirements will occur on a no-liability basis.</p>	
7.3	<p>Producer Default Termination (Conditions 52 and 54)</p>	<p>The default termination provisions in the LCHA give the LCHA Counterparty the right, at any time on or after the Start Date, to terminate the LCHA upon the occurrence of any of the following Termination Events with respect to the Producer: (a) insolvency; (b) non-payment which is not rectified within a specified cure period; (c) breach of key obligations relating to ownership of the Facility (and, if applicable, Hydrogen Storage Infrastructure and Hydrogen Transport Infrastructure), the restrictions on assigning a Producer's rights and obligations under the LCHA, and fraud; (d) credit support default (e.g. a failure to provide collateral that may be required in cases of repeated non-payment); and (e) breach of key obligations relating to metering.</p> <p>In addition, the LCHA includes the following Termination Events with respect to the Producer:</p> <p>(a) breach of key obligations relating to the LCHA specific monitoring and reporting obligations (e.g. certain (i) failures to comply with the Offtaker and Own Consumption confirmation processes; (ii) misleading declarations; (iii) failures to comply with the annual compliance reporting and audit requirements);</p>	<p>These provisions broadly follow the precedent set by the CfD, with several Termination Events added to support the LCHA Counterparty with enforcing specific LCHA provisions. For each Termination Event, an assessment was made of their impact on the bankability of the LCHA for Producers, with due consideration given to the need for cure periods and/or thresholds to avoid hair trigger termination. Other factors, such as the level of risk posed by a breach to value for money for Government and the LCHA Counterparty's ability to administer the LCHA effectively, were also considered.</p>

No.	Subject	Terms	Explanatory Notes
		<p>(b) breach of key obligations relating to RTFO Scheme undertakings (e.g. the Producer claims: (i) LCHA payments for volumes in respect of which Renewable Transport Fuel Certificates have been claimed under the RTFO Scheme; or (ii) Renewable Transport Fuel Certificates under the RTFO Scheme in respect of volumes that have been subsidised under the LCHA);</p> <p>(c) breach of the prohibition on applying for or receiving UK ETS free allowances in respect of the Facility from the UK ETS Registry Administrator (see item 5.8 (<i>UK ETS free allowances</i>));</p> <p>(d) breach of the obligation not to exceed the Permitted Annual Sales Cap in three (3) (consecutive or non-consecutive) Fiscal Years during the term of the LCHA (see item 4.12 (<i>LCHA Sales Cap and Annual Sales Cap</i>));</p> <p>(e) the NZHF GFA is terminated due to Producer breach or default;</p> <p>(f) breach of the obligation to submit a Payment Information Notice (and/or accompanying Directors' Certificate) within six (6) months of the relevant Billing Period;</p> <p>(g) provision of LCHS reported data which is misleading (providing certain conditions are met);</p>	

No.	Subject	Terms	Explanatory Notes
		<p>(h) breach of the obligation to permit the LCHA Counterparty to exercise the LCHA Audit Right; and</p> <p>(i) breach of key obligations relating to Affiliate Offtakers (as summarised in item 5.11 (<i>Affiliate Offtaker</i>)), which has been deemed to have occurred on three (3) or more occasions.</p>	
7.4	<p>Consequences of Producer Default Termination (Condition 53 and Annex 3)</p>	<p>If a Termination Event occurs after the Start Date and the LCHA Counterparty terminates the LCHA, the Producer will be obliged to pay the LCHA Counterparty a Default Termination Payment. The Default Termination Payment will be calculated as follows:</p> <p style="text-align: center;"><i>Default Termination Payment = (Termination Fee Rate (£2/MWh (HHV)) x Inflation Factor) x 365 x 24 x Installed Capacity (or Final Installed Capacity) x Assumed Load Factor</i></p> <p>The Producer will not be liable to pay more than one Default Termination Payment.</p>	<p>A payment may be due from the Producer to the LCHA Counterparty in the event of default termination. The Default Termination Payment appropriately reflects the costs incurred by the LCHA Counterparty and the loss of low carbon hydrogen.</p>

No.	Subject	Terms	Explanatory Notes
7.5	Termination for Prolonged Force Majeure  (Condition 52)	<p>A prolonged Force Majeure termination right will arise if a prolonged Force Majeure event (excluding a Force Majeure resulting from a Change in Law), that first occurs between the Agreement Date and the Milestone Satisfaction Date, prevents or delays the development, construction, completion, testing or commissioning of the Facility for at least eighteen (18) months.</p> <p>If such circumstances arise, the LCHA Counterparty will have the right (but not the obligation) to terminate the LCHA while the prolonged Force Majeure event is still ongoing. A termination for prolonged Force Majeure will occur on a no-liability basis.</p>	The right to terminate in the event of a prolonged Force Majeure event follows the precedent set by the CCUS Programme contracts. It has been introduced to prevent projects that have no realistic chance of commissioning due to a continuing, unresolved Force Majeure, from indefinitely tying up Government funding.
7.6	QCiL Termination and QCiL Compensation Termination  (Condition 52)	<p>If a Qualifying Change in Law occurs which results in a QCiL Construction Event or a QCiL Operations Cessation Event (including a Qualifying Shutdown Event), then the LCHA Counterparty must terminate the LCHA.</p> <p>Further, the LCHA Counterparty will have the right (but not the obligation) to terminate the LCHA if a Qualifying Change in Law occurs (which does not constitute a QCiL Construction Event or a QCiL Operations Cessation Event) and the amount of QCiL Compensation that would otherwise be payable is greater than the amount of the QCiL Construction Event Payment/QCiL Operations Cessation Event Payment that would have been payable if such Qualifying Change in Law were to have constituted a QCiL Construction Event/QCiL Operations Cessation Event.</p>	This follows the precedent set by the CfD.

No.	Subject	Terms	Explanatory Notes
		<p>If the LCHA terminates in either of these circumstances, it will occur on a no-liability basis, but each Party will remain liable for any obligation to pay any QCiL Compensation and QCiL True-Up Compensation.</p>	
8.	<b>Other</b>		
8.1	Collateral Requirement (Conditions 56 and 57)	<p>If the Producer fails to pay a Producer Net Payable Amount to the LCHA Counterparty on three (3) or more occasions in any twelve (12) Month period, the Producer is required to provide and maintain in place a specified amount of collateral for a specific period.</p>	<p>This follows the precedent set by the CfD. The formula used to calculate the collateral amount has been designed to ensure the LCHA Counterparty receives an appropriate amount of cover in the event the Producer has failed to provide payment on three occasions in a twelve-month period.</p>
8.2	Dispute Resolution Procedure (Part 11)	<p>Under the LCHA, disputes will be escalated to a meeting of senior representatives followed by final resolution by expert determination or arbitration.</p> <p>Disputes relating to metering must be brought within twenty (20) Months of the Billing Period in which the disputed day occurred and if they cannot be resolved by way of a meeting of senior representatives, must be referred to expert determination for resolution.</p>	<p>The Dispute Resolution Procedure broadly follows the precedent set by the CfD. In the absence of a governing metering body to resolve metering disputes, these will be resolved via the expert determination procedure if not resolved by a meeting of senior representatives.</p>
8.3	Force Majeure Relief (Condition 70)	<p>The Producer is entitled to day-for-day extensions of time (pre-Start Date) and relief from performance of its LCHA obligations where a Force Majeure event occurs which is beyond the Producer's and its Representatives' reasonable control and which could</p>	<p>This builds on the precedent set by the CfD.</p>

No.	Subject	Terms	Explanatory Notes
		<p>not have been reasonably avoided or overcome by the Producer or its Representatives.</p> <p>Such protection will not be available where the relevant event is caused by the Producer's or its Representatives' fault or negligence, or where the relevant event occurred before the Agreement Date.</p>	
8.4	<p>Limited Recourse Arrangements (Condition 72)</p>	<p>The LCHA will initially be tax payer funded, with a transition to levy funding taking place. See item 19 (<i>H<sub>2</sub> Levy Revenue Support Regulations</i>) for further detail on the levy transition.</p>	<p>Please see item 19 - H2 Levy Revenue Support Regulations for further information.</p>
8.5	<p>Confidentiality (Part 13)</p>	<p>The Parties agree that no provision of the LCHA will be considered to be confidential, and therefore either Party will be free to disclose any such provision. This will extend to the Project-specific provisions that are included in the front end agreement of the LCHA (excluding Information to be redacted pursuant to Annex 6 of the front end agreement).</p> <p>The LCHA Counterparty/Producer will not be permitted to disclose or make use of any Producer Confidential Information/LCHA Counterparty Confidential Information without the other Party's written consent, unless the LCHA Counterparty/Producer (as applicable) plans to use/disclose that information to fulfil one of the permitted purposes set out in the LCHA.</p> <p>Producer Confidential Information includes:</p>	<p>This follows the CfD approach in that the contract itself is not confidential. However, the LCHA goes further than the CfD by allowing for redaction of certain project-specific provisions in the front end agreement (set out in Annex 6). This reflects the inclusion of project-specific commercially sensitive information in the front-end agreement, for example the categorisation of Strike Price Inclusions, and the expected pre-commissioning costs of the Producer.</p>

No.	Subject	Terms	Explanatory Notes
		<p>(a) all Information which is confidential or proprietary in nature and which relates to the Producer, the Facility or the Project;</p> <p>(b) any Information that is disclosed during negotiations in relation to whether a QCiL has in fact occurred or not;</p> <p>(c) any Information that emerges in relation to any negotiations, discussions and correspondence in connection with the LCHA; and</p> <p>(d) any Information received pursuant to the Offtaker Compliance Provisions which is confidential or proprietary in nature and which relates (directly or indirectly) to the Offtaker.</p> <p>LCHA Counterparty Confidential Information includes all information relating to Government policy relevant to the LCHA which the Producer, or any of its representatives, receives in relation to the LCHA.</p>	
8.6	Cyber Security (Condition 78)	The Producer will be required to comply with laws and standards in relation to cyber security, including specified Cyber Security Standards (or an equivalent standard or accreditation agreed by the Parties, acting reasonably). As part of such obligations, the Producer will be required to implement and regularly test specified security measures to manage the risks posed to the security of relevant networks and data.	The Producer collects and reports large amounts of data to the LCHA Counterparty. Therefore, a new provision was introduced for Producers to take certain measures to address increasing risks of cyberattacks on data systems.

No.	Subject	Terms	Explanatory Notes
		<p>Both the Producer and the LCHA Counterparty are required to use all reasonable endeavours to ensure that no Virus is introduced into any of the other Party's Information Systems. If a Virus has been introduced, the responsible Party is required to take specified steps at its own cost to minimise the impact of the Virus.</p>	
8.7	<p>LCHA Assignment and Stapling Obligation  (Condition 82)</p>	<p>The Producer will not be permitted to transfer or assign its rights or obligations under the LCHA unless:</p> <ul style="list-style-type: none"> <li>(a) it has obtained the LCHA Counterparty's prior written consent to such transfer/assignment; and</li> <li>(b) it transfers ownership of the Facility to the same transferee at the same time as the LCHA is transferred/assigned.</li> </ul> <p>Any transfer effected, or purported to be effected, in breach of this restriction will be ineffective and void and will give the LCHA Counterparty the right to terminate the LCHA.</p> <p>However, the Producer will be permitted to assign all (but not part only) of its rights and benefits under the LCHA by way of security to or in favour of (amongst other parties) a lender, by giving advance written notice to the LCHA Counterparty.</p> <p>A Change of Ownership to any person who has (amongst other things) been convicted of a criminal offence, has committed an act of grave misconduct in the course of its business, has failed to comply with its</p>	<p>This follows the precedent set by the CfD.</p>

No.	Subject	Terms	Explanatory Notes
		<p>obligations relating to taxes or is subject to sanctions, is prohibited without the prior written approval of the LCHA Counterparty.</p> <p>The Producer must also provide the LCHA Counterparty with a KYC Notice in the event of any proposed or actual:</p> <ul style="list-style-type: none"> <li>(a) change of the Producer's legal name;</li> <li>(b) Change of Ownership;</li> <li>(c) transaction(s) that would result in Significant Common Ownership;</li> <li>(d) change of Ultimate Investor;</li> <li>(e) appointment of a director of the Producer; and/or</li> <li>(f) change of the Producer's legal jurisdiction.</li> </ul>	
8.8	Direct Agreement (Condition 82 and Annex 5)	<p>The LCHA includes a form of lender direct agreement. This is a tripartite agreement entered into by a lender or security trustee on behalf of the lender(s), the Producer and the LCHA Counterparty.</p> <p>In order to be eligible to enter into a lender direct agreement with the LCHA Counterparty, the relevant entity must be a Lender or Affected Person (or an agent or security trustee of the affected person) with the benefit of first ranking security over all, or substantially all, of the assets of the Producer, and in whose favour the Producer assigns its rights under the LCHA.</p>	This follows the precedent set by the CfD.

No.	Subject	Terms	Explanatory Notes
		The lender direct agreement gives the relevant Lender, Affected Person or security trustee (as the case may be) the ability to step-in to cure any Producer breach of the LCHA which would otherwise give the LCHA Counterparty the right to suspend payments under, or terminate, the LCHA.	
8.9	Boilerplate Provisions (Conditions 76 – 91)	The LCHA contains standard and miscellaneous provisions, including provisions relating to:  (a) intellectual property rights;  (b) marketing, publicity or communication;  (c) notices; and  (d) governing law.	This follows the precedent set by the CfD.
9.	<b>Conditions Precedent (Annex 1)</b>		
9.1	Annex 1	Annex 1 ( <i>Conditions Precedent</i> ) outlines the Initial Conditions Precedent and Operational Conditions Precedent that the Producer must satisfy in accordance with the provisions described in items 2.2 ( <i>Initial Conditions Precedent</i> ) and 2.4 ( <i>Operational Conditions Precedent</i> ) above.	See explanatory notes to sections 2.2 ( <i>Initial Conditions Precedent</i> ) and 2.4 ( <i>Operational Conditions Precedent</i> ), which set out the detail of these requirements.
10.	<b>Testing Requirements (Annex 2)</b>		
10.1	Commissioning  Annex 2	Annex 2 ( <i>Testing Requirements</i> ) outlines the procedure that the Producer is required to follow in order to Commission the Facility to demonstrate that it has satisfied the Operational Conditions Precedent / Longstop Date Commissioning Requirements and to	Specific test procedures have been included to ensure a standardised approach to demonstrate the facility has been commissioned as designed, meets the relevant agreed specifications and can produce low carbon hydrogen.

No.	Subject	Terms	Explanatory Notes
		<p>demonstrate that the Facility can produce Hydrogen that is LCHS Compliant. This Annex includes the:</p> <ul style="list-style-type: none"> <li>(a) process for agreeing the performance test procedure;</li> <li>(b) duration of the performance test period;</li> <li>(c) performance test standards; and</li> <li>(d) Facility mode of operation during the performance test.</li> </ul>	
11.	<b>Calculation of Default Termination (Annex 3)</b>		
11.1	Annex 3	<p>In the event that the LCHA Counterparty exercises its right to terminate the LCHA following a Producer default (see items 7.3 (<i>Producer Default Termination</i>) and 7.4 (<i>Consequences of Producer Default Termination</i>)), the Default Termination Payment will be calculated in accordance with the formula set out in Annex 3 (<i>Calculation of Default Termination</i>).</p>	<p>The consequences of Producer Default Termination are described in section 7.4. Annex 3 provides the detailed formula for calculating the Default Termination Payment in such circumstances</p>
12.	<b>Change Control Procedure (Annex 4)</b>		
12.1	Annex 4	<p>The LCHA Counterparty may issue an Amendment Notification to one or more Producer(s) setting out a proposed amendment to be made to one or more LCHA(s). The nature of the process will be dictated by the type of amendment that is being proposed, i.e. whether such amendment is categorised as a "Material Amendment" or "Technical Amendment".</p>	<p>This follows the CfD precedent, where the change control procedure provides a mechanism for the LCCC to make amendments to the standard terms and conditions of the LCHA. The process distinguishes between 'Material Amendments' (which require broader consent or process) and 'Technical Amendments' (which can be adopted through a more streamlined procedure). In particular, Relevant Hydrogen Levy Revenue Support Regulations Amendments are categorised as Technical</p>

No.	Subject	Terms	Explanatory Notes
			Amendments, allowing these regulatory changes to be incorporated into the LCHA without being treated as a Material Amendment.
12.2	Material Amendment	<p>A Material Amendment is one which would (when taking together the net aggregate effect of all such amendments in the proposed amendment) either: (i) adversely affect the Producer's revenues and/or costs (to the extent that such costs are not fully compensated under the LCHA); or (ii) adversely affect the overall balance of risks, benefits and liabilities of the Producer pursuant to the LCHA. The Relevant H<sub>2</sub> Levy Revenue Support Regulations Amendments are excluded from the definition of a Material Amendment.</p> <p>A Material Amendment must be agreed through bilateral negotiations between the Producer and the LCHA Counterparty. The Producer has twenty (20) Business Days, after receipt of the Amendment Notification in relation to a Material Amendment from the LCHA Counterparty, to confirm that it agrees with the proposed amendment or specify any objections. In the case of any objections from the Producer, the Parties must meet and negotiate in good faith to agree the proposed amendment within ten (10) Business Days after receipt of such objection notice.</p>	
12.3	Technical Amendment	A Technical Amendment is one which: (i) does not meet the definition of Material Amendment; (ii) is needed in order to correct a manifest error in the LCHA; or (iii) comprises the Relevant H <sub>2</sub> Levy Revenue Support Regulations Amendments (see item 19 (H <sub>2</sub> Levy Revenue Support Regulations)).	

No.	Subject	Terms	Explanatory Notes
		<p>A Technical Amendment can either be proposed/made in respect of one Producer's LCHA through bilateral negotiations, or proposed/made as a General Amendment that applies to all LCHAs.</p> <p>The Producer has twenty (20) Business Days, after receipt of an Amendment Notification in relation to a Technical Amendment from the LCHA Counterparty, to confirm that it agrees with the proposed amendment or specify any objections (which includes whether the Producer objects to the classification of the proposed amendment as a Technical Amendment). In the case of any objections from the Producer in relation to the classification of the proposed amendment as a Technical Amendment, the Dispute Resolution Procedure applies. To the extent any objection from the Producer does not contain an objection in relation to the classification of the proposed amendment as a Technical Amendment, the LCHA Counterparty shall consider such objections and may make such amendments to the proposed amendment as it deems appropriate having regard to such objections.</p> <p>A General Amendment is a Technical Amendment which the LCHA Counterparty proposes should be made to all LCHAs or to all LCHAs of a 'particular category', e.g. all electrolytic LCHAs. The same process (as described above in relation to bilateral Technical Amendments) applies to a Technical Amendment that is a General Amendment, except that all affected Producers will be deemed to agree with the relevant amendment (which will become binding on all such Producers) unless seventy five per cent</p>	

No.	Subject	Terms	Explanatory Notes
		(75%) or more in number of all Affected Parties give a Technical Amendment Response Notification (which confirms their disagreement with such amendment) to the LCHA Counterparty within the Technical Amendment Response Period.	
13.	<b>Form of Direct Agreement (Annex 5)</b>		
13.1	Annex 5	Annex 5 ( <i>Form of Direct Agreement</i> ) prescribes the form of Direct Agreement that the LCHA Counterparty will enter into if requested to do so by a Lender or Affected Person, in whose favour the Producer assigns its rights under the LCHA by way of security.	This follows the CfD precedent, where a standard form of Direct Agreement is provided to facilitate funding arrangements. The Annex sets out the form of agreement to be entered into at the request of a Lender or Affected Person.
14.	<b>Data Collection and Monitoring Compliance (DCMP) (Annex 6)</b>		
14.1	General Annex 6	Annex 6 ( <i>Data Collection and Monitoring Compliance with the LCHS</i> ) includes an obligation on the Producer to prepare, and agree with the LCHA Counterparty, Data Collection and Monitoring Procedures (" <b>DCMP</b> "). The agreement of such DCMP is an Operational Condition Precedent. The agreed DCMP will specify: (i) detailed methodologies and procedures that will be used by the Producer on an ongoing basis to collate evidence and demonstrate LCHS Compliance from the Start Date; (ii) the data flows that will need to be provided by the Producer to the LCHA Counterparty; and (iii) the frequency of such data flows.	The DCMP fulfils a similar purpose to the Fuel Measurement and Sampling (FMS) procedures in the CfD. It ensures the LCHA Counterparty knows how a Producer will monitor and evidence the emissions associated with their production process for the purposes of monitoring LCHS compliance. The DCMP will be agreed on a project-by-project basis with the LCHA Counterparty, providing flexibility for different projects and technologies to agree different approaches.
14.2	Compliance (Clause 3, Annex 6)	The DCMP contains monitoring, reporting and verification requirements to enable the LCHA Counterparty to assess whether the Producer is complying with the requirements of the LCHS.	Monthly reporting requirements will be used to determine qualifying volumes for payment purposes. Such reporting is to be accompanied by a Directors' Certificate to verify that the volumes claimed under the

No.	Subject	Terms	Explanatory Notes
		<p>As part of the DCMP, the Producer is required to comply with specified monthly reporting requirements (with such reports to be accompanied by a Directors' Certificate) and annual audit requirements.</p>	<p>LCHA comply with the LCHS. A monthly frequency for gathering information aligns with the LCHA billing period and ensures payments to the Producer are as accurate as possible, whilst managing the administrative burden on both the Producer and the LCHA Counterparty.</p> <p>Annual audits, carried out by a third party, validate the evidence base and figures submitted throughout the year. This ensures that Producers are entitled to subsidy payments that have been paid.</p>
14.3	<p>Enforcement (Clause 7, Annex 6)</p>	<p>The LCHA includes rights for the LCHA Counterparty to enforce compliance with the DCMP. These include:</p> <ul style="list-style-type: none"> <li>(a) rights to suspend payments in circumstances where (amongst other things) the Producer fails to provide access to the Facility/personnel where the LCHA Counterparty is assessing compliance with the DCMP, or if the Producer fails to provide a Monthly LCHS Report; and</li> <li>(b) rights to terminate the LCHA in circumstances where there is a prolonged failure to provide the access referred to in paragraph (a) above, or information provided by the Producer pursuant to the DCMP is misleading.</li> </ul> <p>Further, if an auditor or the LCHA Counterparty determines that a consignment of Hydrogen produced by the Hydrogen Production Plant has not complied with the LCHS where payment in respect of such</p>	<p>Compliance with the DCMP is critical to ensure compliance with the LCHS. In the event the Producer prevents the LCHA Counterparty from assessing compliance with the DCMP, or if the Producer fails to provide a Monthly LCHS Report, it is appropriate for the LCHA Counterparty to have rights to suspend payments. Consistent failure to provide the LCHA Counterparty access will result in a termination right for the LCHA Counterparty. This is necessary to prevent subsidy being paid for volumes of hydrogen which do not meet the LCHS, and therefore do not meet the decarbonisation objectives of the LCHA. The reconciliation process serves a similar purpose.</p>

No.	Subject	Terms	Explanatory Notes
		consignment has already been made, a reconciliation process applies.	
14.4	LCHS – Grandfathering (Condition 51)	The Producer is required to comply with the version of the LCHS specified in the front end agreement of the LCHA (the " <b>LCHS Agreed Version</b> "). The LCHA does not require the Producer to comply with amendments to the LCHS (other than amendments to the LCHS Data Annex) after the Agreement Date.	Grandfathering of the LCHS is intended to provide confidence to the Producer that the rules they will need to comply with for the purpose of receiving support under the LCHA will not be changed retrospectively.  The LCHS Data Annex is not grandfathered, and Producers will be required to comply with the most recent version of the LCHS Data Annex to determine their emissions. This is to ensure accurate emissions reporting and reflect changes to the energy system, such as decarbonisation of the electricity grid.
15.	<b>Form of Supply Chain Report (Annex 7)</b>		
15.1	Annex 7	Annex 7 ( <i>Form of Supply Chain Report</i> ) prescribes the form of Supply Chain Report that the Producer is required to prepare and submit to the LCHA Counterparty pursuant to the LCHA.	A standardised template has been included to ensure Government receives key information regarding development of the hydrogen supply chain.
16.	<b>Form of Invoice (Annex 8)</b>		
16.1	Annex 8	Each Offtaker Invoice issued by the Producer to Relevant Offtakers must be substantially in the form set out in Annex 8 ( <i>Form of Invoice</i> ).	A standard form of invoice has been included to encourage transparent pricing structures – i.e. so that the offtaker and the LCHA Counterparty can each readily understand what the transaction involves, and the extent to which it is compliant with the various undertakings detailed above.

No.	Subject	Terms	Explanatory Notes
17.	<b>Metering Operational Framework and Technical Specifications (Annex 9)</b>		
17.1	Metering Operating Framework Annex 9	Annex 9 ( <i>Metering Operational Framework and Technical Specifications</i> ), requires the Producer to ensure that all Meter Measurement Systems comply with certain generic metering requirements and that each of the hydrogen, electricity and water meters comply with specific technical specifications.	The Metering annex in the LCHA broadly follows the structure of similar annexes in the ICC Contract and Private Network CfD, however, has been amended to simplify the structure given the number of meters relevant to the LCHA. Its purpose is to set minimum requirements for the meter measurement systems installed by Producers. This ensures the LCHA Counterparty can be confident that the Producer has reliable systems and processes and is accurately recording metered data.
17.2	General (Part A, Annex 9)	Part A of Annex 9 sets out: (i) general requirements in relation to the installation, commissioning, operation and maintenance of all Meter Measurement Systems; (ii) the Producer's responsibilities in relation to the ownership and use of metered data; and (iii) when Measurement Uncertainty Assessments must be carried out.	These provisions set out the general requirements in relation to the installation, commissioning, operation and maintenance of the metering equipment.
17.3	Technical Assurance (Part B, Annex 9)	Part B of Annex 9 sets out the LCHA Counterparty's rights to appoint a Technical Assurance Agent who may conduct audits of the relevant Meter Measurement Systems in certain circumstances, including where the LCHA Counterparty has reason to suspect Inaccurate Measurement Data.	These provisions ensure the LCHA Counterparty has the right to audit metering equipment and ensure Producer compliance with the metering requirements.
17.4	Operations (Part C, Annex 9)	Part C of Annex 9 sets out the Producer's obligations in relation to: (i) the installation, calibration and commissioning of Meter Measurement Systems; (ii) the identification and reporting of faults; and (iii) the	These provisions ensure Producers commission and operate meters in a way that provides accurate measurements. They also establish a framework for the timely identification and reporting of faults in Meter Measurement Systems, so that any discrepancies can

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		<p>Producer's obligations in respect of carrying out Proving Tests.</p>	<p>be addressed transparently and payments under the LCHA remain accurate.</p>
17.5	<p>Technical Specifications (Part D, Annex 9)</p>	<p>There are bespoke Technical Specifications set out in Part D of Annex 9 in respect of each of the Meter Measurement Systems. These define the specific requirements of each such Meter Measurement System, including where such Meter Measurement Systems are to be located and the types and quality of data that such Meter Measurement Systems must record.</p> <p>The relevant Technical Specifications also define what constitutes Invalid Reporting Units and the consequences for the Producer where Invalid Reporting Units arise.</p>	<p>The Technical Specifications set out the minimum technical requirements for each of the hydrogen, electricity and water meters e.g. location, equipment requirements, calibration requirements, data recording requirements, uncertainty requirements and how to deal with missing data. They ensure meters deliver accurate information for the purposes of monitoring LCHS compliance and calculating payments.</p>
17.6	<p>Hydrogen Metering Points (Section 1 of Part D, Annex 9)</p>	<p>The Producer is required to install meters to measure the Hydrogen produced by the Hydrogen Production Plant. The Producer must ensure that a Hydrogen Meter Measurement System is installed:</p> <ul style="list-style-type: none"> <li>(a) on the Site boundary (the “<b>Site Boundary Meter</b>”);</li> <li>(b) if Hydrogen is to be transferred to non-pipeline transport On-site, at each such transfer point (an “<b>On-site Hydrogen Transfer Meter</b>”);</li> <li>(c) if On-site Storage is used, immediately upstream of the On-site Storage (the “<b>Production Meter</b>”); and</li> </ul>	<p>Hydrogen meters are required (along with the other LCHA meters) to determine LCHS Compliance and the values reported under the Payment Information Notice (PIN) for volumes of hydrogen sold or stored. Meter location requirements depend on how hydrogen is being transported (i.e. via pipeline or tube trailer) and/or stored.</p> <p>For the PIN, hydrogen meters are used to determine the Total Production Volumes at the facility and to check when hydrogen has exited Off-site Hydrogen Storage Infrastructure (if applicable). The Total Production Volumes will be used with the net volumes sent to storage in previous months to track the amount of hydrogen a Producer can sell in each month. Sales should never exceed the sum of these two numbers.</p> <p>Under the LCHS, greenhouse gas emissions are</p>

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		<p>(d) if Off-site Hydrogen Storage Infrastructure is used, immediately downstream of any processing or compression of Hydrogen at the exit of such Off-site Hydrogen Storage Infrastructure.</p> <p>Meter data collected by the Hydrogen Meter Measurement System(s) is used to verify quantities of Hydrogen reported in the PIN and determine LCHS Compliance.</p>	<p>determined on a 30-minute basis. The LCHS System Boundary (i.e. the point up to which the total emissions for a consignment of hydrogen are measured) aligns with the Site boundary in the LCHA, and emissions are assigned to each consignment of hydrogen at the point of production. As such, a hydrogen meter is required either at the Site boundary (if no On-site Storage is used) or upstream of any On-site storage/transfer (because emissions are assigned at the point at which the hydrogen is produced). The aim is to ensure that emissions are measured as close as possible to the LCHS System Boundary.</p> <p>The reason for each meter location is as follows:</p> <p>(a) Where hydrogen is transported by pipeline directly off Site, volumes will be metered at the Site boundary. In this scenario, Producers are only permitted to sell the hydrogen once it has left the Site. The Site boundary also aligns with the System Boundary under the LCHS.</p> <p>(b) Where hydrogen is transferred On-site (i.e. sold to someone that collects it in a tube trailer and then takes it Off-site), a separate "On-Site Hydrogen Transfer Meter" is required. This is to accurately account for the volumes that go into the tube trailer for both LCHS emissions calculations and the Total Production Volumes.</p> <p>(c) Where hydrogen is stored On-site before being piped directly Off-site (i.e. not transferred into a tube trailer on Site), the concept of a Production Meter has been introduced. This meter will be located upstream of the On-site Storage to</p>

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			<p>accurately account for the volumes going into storage, which contribute to the Total Production Volumes. In addition, under the LCHS, GHG emissions must be assigned to hydrogen before the hydrogen enters storage to ensure the emissions are temporally correlated with the quantities of hydrogen produced. Hydrogen that subsequently leaves storage and is piped off Site will be metered again at the Site Boundary Meter, for the purpose of verifying payments.</p> <p>(d) Where hydrogen is sent to storage and then transferred On-site (i.e. sold to someone that collects it in a tube trailer On-site), hydrogen will first be metered at the Production Meter. This is located upstream of the hydrogen storage and will be used to calculate LCHS emissions and Total Production Volumes, as described above in limb (c). Hydrogen that is subsequently transferred On-site will be metered again at the On-Site Hydrogen Transfer Meter, for the purpose of verifying payments. Please note, if the hydrogen is piped directly Off-site from storage, then limb (c) would apply.</p> <p>(e) Where hydrogen is sent to Off-site Hydrogen Storage Infrastructure (i.e. Off-site Storage subsidised under the LCHA) before it is sold to an offtaker, a hydrogen meter will be required at the exit of the Off-site storage facility. This is only used to verify the volume of hydrogen sold for the purpose of verifying payments, not for LCHS compliance or Total Production Volumes.</p>

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18.	<b>Low Carbon Hydrogen Certification (Annex 10)</b>		
18.1	Annex 10	<p>The Producer is required to notify the LCHA Counterparty if it intends to participate in a Certification Scheme, with such notice to include, amongst other things, details of: (i) the relevant Certification Scheme; (ii) the proposed date of participation; and (iii) how the Producer may receive any revenue as a result of participating in the Certification Scheme.</p> <p>If the LCHA Counterparty does not object to the Producer participating in the Government Certification Scheme or consents to the Producer participating in an Other Certification Scheme (as applicable) in accordance with the relevant notification procedure, then the Producer will be entitled to participate in such scheme, subject to any conditions that apply to the Producer's participation (which the LCHA Counterparty may specify, acting reasonably).</p> <p>The Producer is also required to notify the LCHA Counterparty where it:</p> <p>(a) becomes aware of any fact, matter or circumstance which will or is reasonably likely to affect the accuracy of the information previously provided to the LCHA Counterparty in respect of a Certification Scheme (following which, the LCHA Counterparty may withdraw consent to or specify additional conditions on the Producer's participation in such scheme);</p>	<p>Certificates could provide a monetary benefit to the Producer by increasing the value of low carbon hydrogen where customers may be willing to pay more for certified low carbon hydrogen.</p> <p>At the time of drafting the HAR1 version of the LCHA, the design of the Government Certification Scheme was still in early development. It was yet to be determined how the LCHA will interact with this scheme, including how any revenues and costs arising from such certification scheme should be treated under the LCHA. To account for this uncertainty, an approval process was included in Annex 10 which requires the LCHA Counterparty to review Producers' requests to participate in Certification Scheme(s) to ensure participation aligns with the objectives of the LCHA.</p>

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		<p>(b) becomes registered or accredited for a Certification Scheme; or</p> <p>(c) ceases to be registered or accredited for or ceases to participate in a Certification Scheme.</p> <p>The LCHA Counterparty may also, at any time, notify the Producer of any Acceptable Certification Schemes in which the Producer is automatically entitled to participate (subject to any conditions (acting reasonably) to participation specified in such notice).</p>	
19.	<b>H<sub>2</sub> Levy (Gas Shipper Obligation) Revenue Support Regulations (Annex 11)</b>		
19.1	Relevant H <sub>2</sub> Levy Revenue Support Regulations Amendments	If a hydrogen levy is introduced which satisfies the Relevant H <sub>2</sub> Levy Revenue Support Regulations Conditions, then the LCHA Counterparty may issue a Technical Amendment. Such amendment will introduce limited recourse provisions (which are based on the precedent drafting in the Contracts for Difference (CfD) for renewable electricity) to reflect the hydrogen levy.	<p>These provisions set out the mechanism for amending the LCHA when the source of funding for the LCHA switches from government funding to funding through the Gas Shipper Obligation (levy funding). They are necessary to provide confidence to Producers that the LCHA will continue to be appropriately funded and to set out the reasonable duties on the LCHA Counterparty to pursue funding.</p> <p>The Gas Shipper Obligation is intended to be the long-term funding mechanism for initial hydrogen production projects funded through the HPBM. It may also fund further hydrogen production projects, subject to future decisions on the hydrogen programme. Government consulted on the design of the Gas Shipper Obligation from January to April 2025.</p>

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19.2	Relevant H <sub>2</sub> Levy Revenue Support Regulations Conditions	<p>The Relevant H<sub>2</sub> Levy Revenue Support Regulations Conditions are that:</p> <ul style="list-style-type: none"> <li>(a) the hydrogen levy regulations have come into force;</li> <li>(b) such regulations are substantially consistent with the Relevant H<sub>2</sub> Levy Revenue Support Regulations Principles; and</li> <li>(c) funding is available to the LCHA Counterparty pursuant to such regulations to allow the LCHA Counterparty to make payments under the LCHA which are funded pursuant to such regulations.</li> </ul>	<p>These provisions set out the conditions that must be present for a switch to levy funding to occur. They are necessary to provide clarity to all parties over when such a transition can take place.</p>
19.3	Relevant H <sub>2</sub> Levy Revenue Support Regulations Principles	<p>The Relevant H<sub>2</sub> Levy Revenue Support Regulations Principles are that:</p> <ul style="list-style-type: none"> <li>(a) obligations apply to Relevant Market Participants to make payments to a Hydrogen Levy Administrator, including for the purposes of enabling the LCHA Counterparty to make payments under UKLCH Programme LCHAs;</li> <li>(b) obligations apply to Relevant Market Participants to provide financial collateral and/or advance payments to a Hydrogen Levy Administrator; and</li> <li>(c) a duty applies to a Hydrogen Levy Administrator to collect sums due by Relevant Market Participants and enforce</li> </ul>	<p>These provisions set out the principles that any regulations governing a future levy funding mechanism must follow to enable the switch away from exchequer funding to take place. They are necessary to provide clarity to all parties over when such a transition can take place.</p>

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		rights against Relevant Market Participants in respect of such sums.	
20.	<b>Gas Reference Price(GRP) Review (Annex 12)</b>		
20.1	GRP Principles Review	<p>The LCHA Counterparty will conduct a GRP Principles Review if:</p> <ul style="list-style-type: none"> <li>(a) the Gas Price Source ceases to be available to the LCHA Counterparty;</li> <li>(b) the Gas Price Source ceases to be available to the LCHA Counterparty on commercially reasonable terms;</li> <li>(c) no Gas Reference Price is capable of being calculated for a period of ten (10) consecutive Business Days;</li> <li>(d) the volume of Month Ahead Natural Gas Contracts in respect of gas to be delivered within Great Britain reflected in each Gas Price Source is nil in any ten (10) Business Day sample period;</li> <li>(e) the splitting of the Great Britain gas market has been proposed or effected by the relevant Competent Authority; or</li> <li>(f) thirty per cent (30%) or more of Producers by volume (calculated using the LCHA Sales Cap in each relevant UKLCH Programme LCHA) or number have requested a GRP Principles Review.</li> </ul>	The inclusion of a review procedure for the GRP follows the precedent set by the CfD scheme. It ensures there is a clear and defined process in place if the GRP source becomes unavailable, commercially unviable, or no longer functions as a reliable indicator of the market price of gas.

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		The LCHA Counterparty may also conduct a GRP Principles Review if it determines that the Gas Reference Price does not reflect the market price for the sale of gas delivered within Great Britain.	
20.2	GRP Mechanism Amendment	If a GRP Principles Review is conducted, the LCHA Counterparty will assess whether the current calculation of the Gas Reference Price is compliant with the GRP Principles and if not, the changes required to achieve such compliance (including a replacement Gas Price Source).	Please see 20.1.
21.	<b>Annual Audit Reports (Annex 13)</b>		
21.1	Annex 13	<p>Each year, the Producer is required, at its own cost and expense, to appoint an Auditor to carry out an Annual Audit and prepare specified Annual Audit Documents. The relevant Auditor must have no conflict of interest which prevents it from carrying out such audit.</p> <p>The Producer may appoint an Auditor who sub-contracts or delegates the preparation of the LCHA Compliance Audit Report, provided that the Producer will not be relieved of any of its obligations under the LCHA or any other LCHA Document in respect of the acts and omissions of the sub-contractor/delegate.</p> <p>Part A of Annex 13 sets out the general requirements which apply to:</p> <p>(a) the appointment of the Auditor by the Producer; and</p>	The Annual Audit Report will provide the LCHA Counterparty with a third-party report assessing the Producer's compliance with key requirements under the LCHA. This extra level of assurance is necessary for the LCHA as there are numerous key data requirements which are self-reported by Producers.

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		<p>(b) the methodology which the Producer must instruct the Auditor to comply with, including, but not limited to: (i) the assessment of the verification risk; (ii) the verification of specific data; (iii) conducting Site visits; and (iv) carrying out substantive testing.</p> <p>Part B and Part C specify the requirements of the Annual Compliance Audit Report and the LCHS Compliance Audit Report. These include, but are not limited to, that the relevant report must:</p> <p>(a) contain a detailed narrative of the information collected during the audit;</p> <p>(b) be prepared in accordance with the requirements in respect of reasonable assurance engagements prescribed in ISAE 3000 (or an equivalent standard); and</p> <p>(c) be in form and content satisfactory to the LCHA Counterparty (acting reasonably).</p> <p>Part B and Part C also set out the specific confirmations that the Auditor must provide in respect of whether or not the Producer has complied with its key obligations under the LCHA during the relevant Fiscal Year.</p>	
22.	<b>Pro Forma Notices (Annex 14)</b>		
22.1	Annex 14	If either the Producer or the LCHA Counterparty is required to give a notice to the other Party pursuant to	This follows the CfD precedent.

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		the LCHA, such notice must be substantially in the form set out in Annex 14 ( <i>Pro forma notices</i> ).	