

**CHATHAM PARTNERS**

# **H2Global – Procurement of Green H2-based Ammonia**

**Client Briefing**

21 December 2022

## Background: The German H2Global Programme

In December 2021, the Federal Ministry of Economics and Climate Protection (*Bundesministerium für Wirtschaft und Klimaschutz; BMWK*) approved the “H2Global” funding instrument with a volume of EUR 900 million. This funding instrument is to be used to purchase derivatives of hydrogen (**H2**) produced without emitting CO<sub>2</sub> or other greenhouse gases (so-called “**green H2**”) on the global market and sell them in the EU to the highest bidders (**H2Global programme**).

The H2 derivatives to be procured are as follows

- ▶ ammonia
- ▶ methanol and
- ▶ electricity-based Sustainable Aviation Fuel (**SAF**)

The H2 derivatives shall be procured by Hintco GmbH (**Hintco**), a subsidiary of the non-profit H2Global Foundation and direct recipient of the EUR 900 million funding, as an intermediary from the non-European suppliers and then sold to European buyers. The H2Global programme provides for a special mechanism to ensure the long-term procurement of green H2 derivatives.

- ▶ In a first step, Hintco concludes Hydrogen Purchase Agreements (**HPA**) with the most price-competitive suppliers of green H2 derivatives outside the EU and EFTA countries. For this purpose, Hintco invites tenders for the HPA for the individual H2 derivatives by means of an international public procurement procedure.
- ▶ In a second step, Hintco concludes short-term sales agreements (*Hydrogen Sales Agreement; HSA*) with the highest bidders for the H2 derivatives within the EU and EFTA states.
- ▶ The funding of EUR 900 million are used by Hintco to compensate for differences between the purchase and sales price for the H2 derivatives.

Under the H2 derivatives tender, an individual HPA will be awarded as a separate lot for each of the three H2 derivatives. The HPAs will each have a ten-year term. Thus, long-term investments in renewable energies and especially green H2 in the respective reference countries shall be incentivised.

The first H2 derivatives procured through the H2Global programme are scheduled for delivery to the EU by the end of 2024.

## Structure of the tender procedures

The HPAs shall be tendered by means of a formal award procedure, which is essentially designed as a negotiating procedure with a previous call for competition (*Verhandlungsverfahren mit vorgeschaltetem Teilnahmewettbewerb*).

- ▶ During the call for competition, Hintco assesses the capabilities of the companies interested in the tender for the provision of the service, i.e. the supply of the H2 derivative, on the basis of defined selection criteria.
- ▶ Those companies whose capability has been determined will be invited to submit initial bids. The initial bids will be the subject of negotiations between Hintco and the bidders.
- ▶ After completion of the negotiations, the bidders will be invited to submit final bids. The final bids are checked for their economic viability on the basis of the award criteria. Subsequently, the contract is awarded to the most economical bid.

## Start of the ammonia tender

On 30 November 2022, the tender for the first lot under the H2Global programme for the award of the HPA for ammonia produced from green H2 was launched. Interested companies can apply for the participation in the tender procedure until

**7 February 2023, 18:00h CET.**

The tender is aimed at companies that have carried out the following projects since 1 January 2016:

- ▶ Production of H2 (without restriction to certain types of production, i.e. the production of non-green hydrogen can also be taken into account) with an annual volume of 5,000 t or higher in at least three years in the reference period.
- ▶ Supply or generation of electricity without CO2 emissions (so-called “*green electricity*”) with an annual volume of 100 GWh or higher in at least three years in the reference period.
- ▶ Construction of large-scale plants for the production of H2, H2 derivatives or technically/chemically comparable products with a production capacity of 5,000 t or more per year.
- ▶ Operation of large-scale plants for the production of H2, H2 derivatives or technically/chemically comparable products with a production capacity of 5,000 tonnes or more per year.
- ▶ Transport services of dangerous goods with an ammonia-comparable classification under GHS by ship and a transport volume of 1,000 t or higher in at least three years in the reference period

The tender does not provide for a minimum or maximum delivery quantity of ammonia. Instead, the delivery quantities over the ten-year contract period – in addition to the price offered per tonne – are part of the award criteria.

The tender documents can be accessed free of charge and without prior registration at the following internet address: <https://exficon.de/tad/current-tenders/>

## Interested in participating in the tender?

Feel free to contact us if you are interested in participating in the tender. We are happy to support you in every step of the procedure, in particular with regard to:

- ▶ the preparation of the application and the offers in accordance with the respective requirements,
- ▶ the correspondence with the Hintco,
- ▶ negotiating the HPA, and
- ▶ raising objections and conducting legal disputes in connection with the award procedure as well as in the execution of the contract itself.

Our team consists of several highly qualified lawyers with a high degree of specialisation and extensive experience in large-volume projects and public tenders in the infrastructure and energy sector, in particular with regard to the development of H2 projects.

Feel free to contact us any time.

## Your contact



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