



Regional Hydrogen Transition

1. Programme goals
2. Proposed mechanism
3. Next Steps



Regional Hydrogen Transition Goals:

- Build capability and supply chains to support the green hydrogen sector's growth
- Support regional and national energy transitions
- Decarbonise hard-to-abate sectors
- Deliver social and economic benefits to iwi and communities in just transition regions

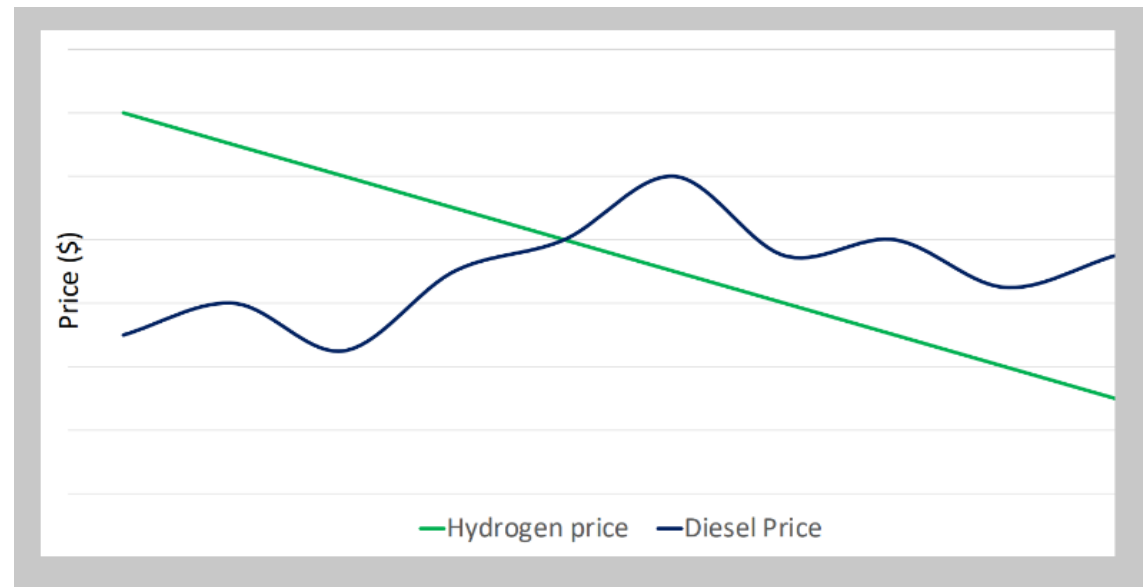




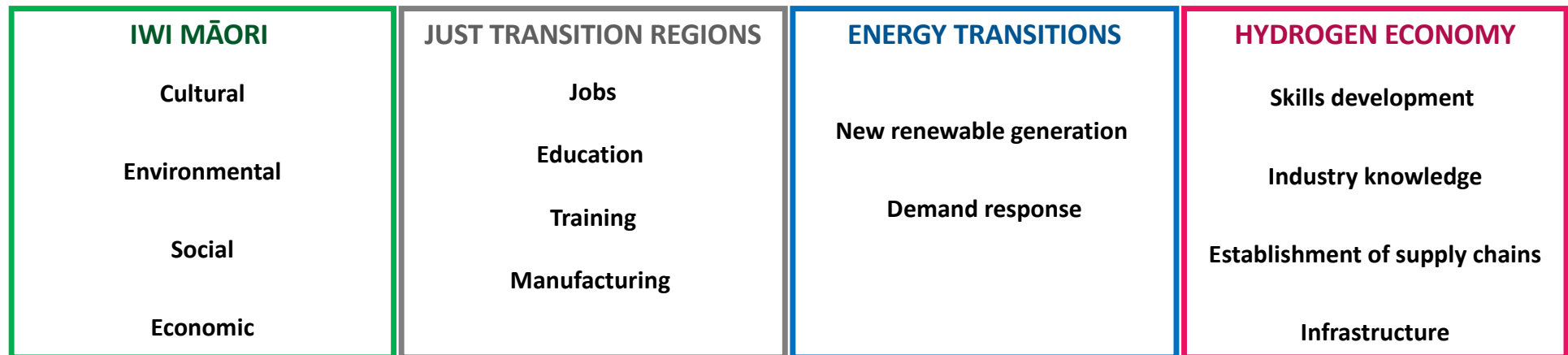
Rebate = hydrogen price – fossil fuel price

The rebate will bridge the gap between green hydrogen and alternative fossil commodities.

The rebate will therefore be indexed and will vary over time depending on market costs of the alternative fossil commodity relevant to the eligible hydrogen consumer.



Benefit Sharing - delivering regional just transitions





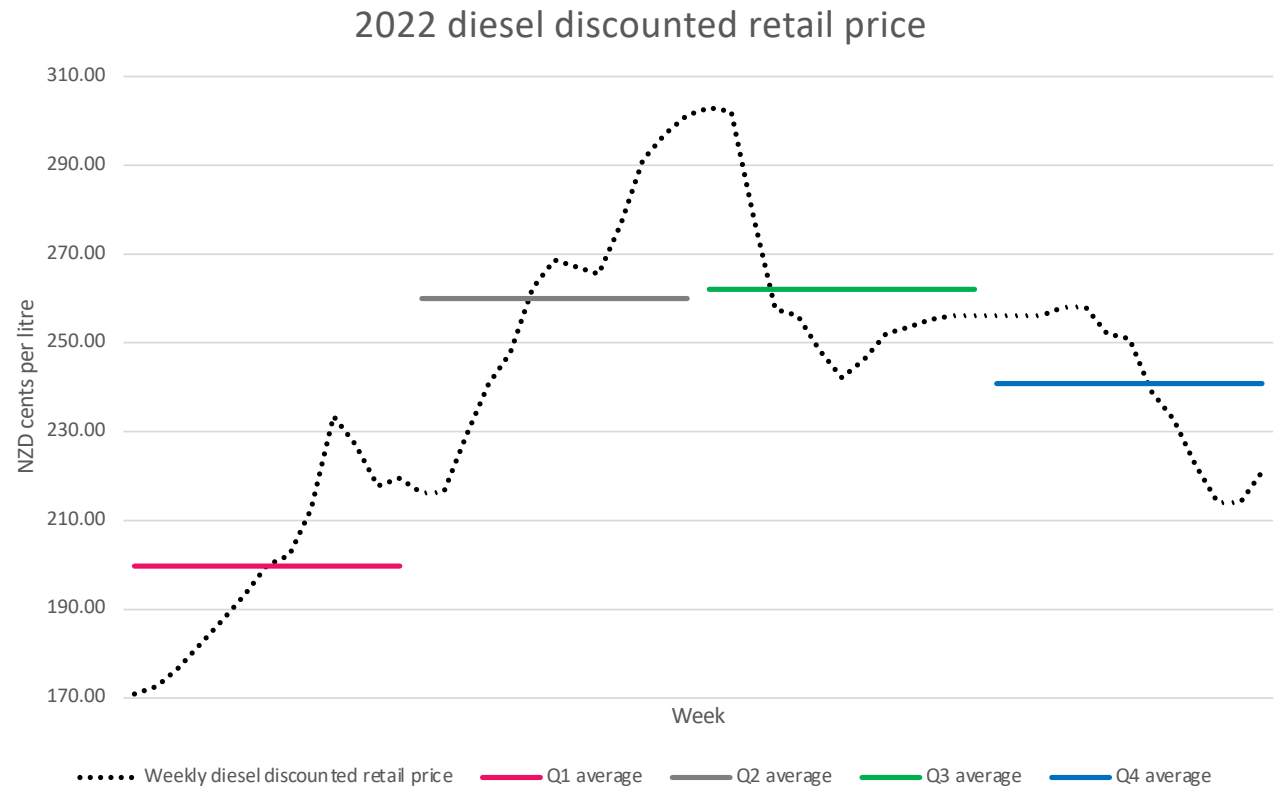
Rebate Indexation

The rebate will be indexed to reflect movement in fossil fuel commodity alternatives.

MBIE has two proposals for determining payments. Both would have counterparties bid for the lowest agreed hydrogen strike price

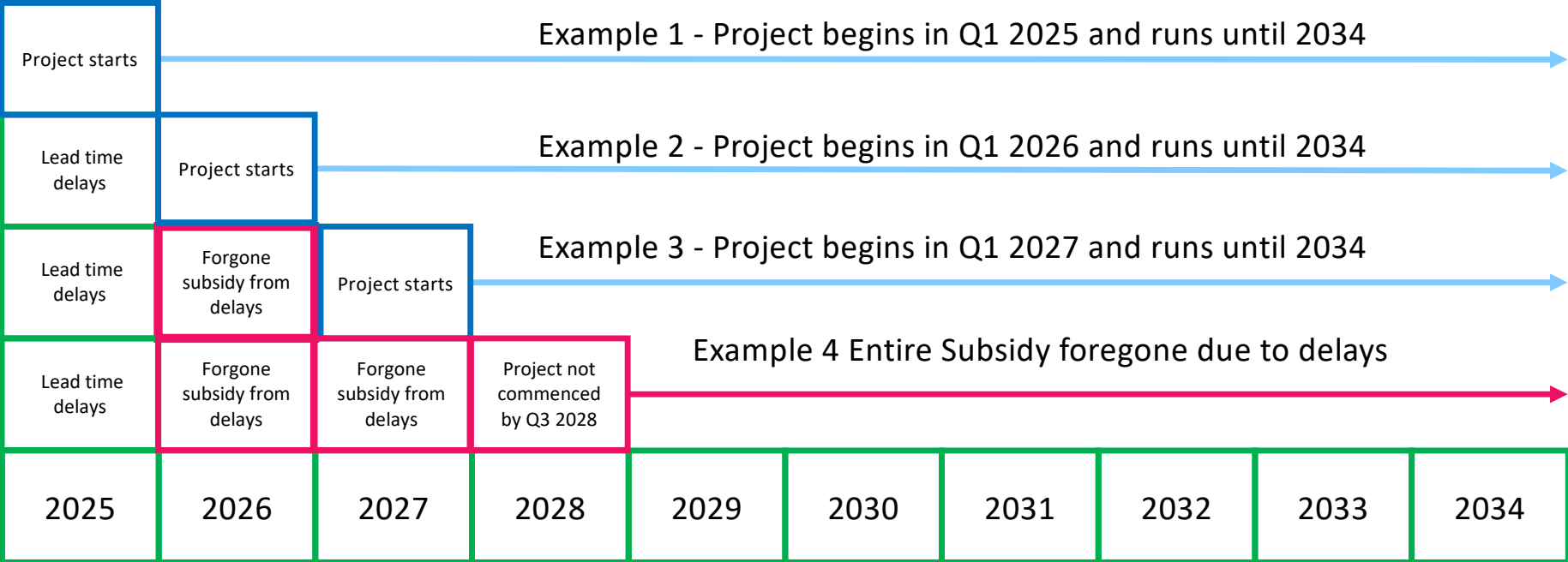
- Open book
- Time weighted average price (shown in the graph)

We want to hear what might work for you.





Payment schedule





Shortfalls & Reallocations

	Y1-5 minimum	Shortfall	Percent	Available	Request	Allocation
Counterparty One	\$5.0m	\$0.5m	10%	\$3.7m	\$2.0m	\$2.0m
Counterparty Two	\$1.0m	\$0.2m	20%	\$3.7m	\$1.5m	\$1.0m
Counterparty Three	\$8.0m	\$2.0m	25%	\$3.7m	\$1.0m	\$0.7m
Counterparty Four	\$2.5m	\$1.0m	40%	\$3.7m	\$0.5m	\$0.0m

Rebate payments unclaimed in the first five years of the programme will be re-allocated.

By year six we would re-offer the sum of annual minimum payment shortfalls to any counterparties who have met three years of minimum annual payments.



Competitive Selection Process

- From Quarter 1 2024
- Rules and selection criteria to be finalised; will include price and non-price criteria
- Competitive process
- Evaluation informed by advisory panel
- Proposed eight week open application process
- Negotiation with shortlisted parties and contracting to follow





Timeline

**Jul 23 -
Sep 23**

- Industry engagement on draft technical design paper

**Sep 23 -
Jan 24**

- Final programme design

**Jan 24 -
Apr 24**

- Competitive process to select rebate recipients

**Apr 24 -
Jul 24**

- Contract negotiations and signing

Jan 25

- Rebate payments begin

Dec 34

- Rebate payments end

We want your feedback



Submissions close September 10 : JustTransitions@mbie.govt.nz

Reallocation

- Is the ten year term appropriate?
- Are the contract cap values viable?
- Are the eligible uses proposed under the programme appropriate?
- Are there viable projects which would have too low volume?
- Is the payment frequency acceptable?
- Does reallocation process present unforeseen business risks?
- Other options for reallocation?

Indexation

- Are indexation methods acceptable?
- Are there alternative options?

Payment methods

- Is the quarterly payment period appropriate?
- Alternative payment periods?
- Would basing payments on invoices be administratively workable?
- Are there alternative options?

Timing

- Is 8 weeks sufficient to prepare and lodge applications?
 - Are the competitive selection process timeframes workable?
 - Are the evaluation criteria appropriate?
 - Alternative evaluation criteria?
 - What lead times are involved in hydrogen projects?
 - Are our timeframes appropriate given lead times?
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