

Part 4
Payment Calculations

5. DEFINITIONS: PART 4

In this Part 4 (*Payment Calculations*):

"Achieved Sales Price" has the meaning given to that term in Condition 6.4 or Condition 6.5 (as applicable) (*Achieved Sales Price calculation*);

"Agreement" means the agreement entered into between the LCHA Counterparty and the Eligible Producer pursuant to an offer made by the LCHA Counterparty pursuant to section [●] of the [Energy Act 2022];

"Agreement Date" has the meaning given to that term in the Agreement;¹

"Annual Volume Cap" means the LCHA Production Cap divided by fifteen (15);

"Annual Volume Floor" means, in respect of each Fiscal Year, seventy five per cent. (75%) of the Annual Volume Cap;²

"Base Rate" means the rate of interest published from time to time by the Bank of England as its base rate;

"Base Year" applicable to this LCHA is 2022;

"Base Year CPI" means the value of the CPI for October in the calendar year immediately preceding the Base Year;³

"Base Year Terms" means, for any Strike Price Adjustment initially expressed in a price period (x), with (x) being a calendar year other than the Base Year, the Strike Price Adjustment in respect of the Base Year ADJ_{base} , calculated in accordance with the following formula:⁴

$$ADJ_{base} = ADJ_x \times \frac{CPI_{base}}{CPI_x}$$

where:

ADJ_x = Strike Price Adjustment (£/MWh (HHV)) in any year (x);

CPI_{base} = Base Year CPI; and

CPI_x = arithmetic mean of the Monthly CPI over the year (x);

"Billing Period" means a Month, except that the first Billing Period shall commence on the Start Date and end on the last day of the Month in which the LCHA Counterparty notifies the Producer pursuant to an OCP Response Notice or a Further OCP Response Notice (as relevant) that it has determined that all of the Operational Conditions Precedent have been

¹ Note to Reader: Please refer to the proposed definition in Section C of the LCHA HoTs published on 16 December 2022.

² Note to Reader: Further drafting will be required in order to pro-rate the Annual Volume Floor, including i) in the first and last part-Fiscal Years in the Term and ii) where the Annual Volume Cap is amended part-way through a Fiscal Year as a result of an adjustment to the LCHA Production Cap pursuant to Condition 10.1.

³ Note to Reader: This definition is subject to further development by BEIS.

⁴ Note to Reader: This definition is subject to further development by BEIS.

satisfied or waived in accordance with Condition [●] (*Waiver of Conditions Precedent and Default*) and/or Condition [●] (*Waiver of Subsidy Control Declaration Operational CP*) (as applicable) and the last Billing Period shall commence on the first day of the last Month of the Payment Period and end on the last day of the Payment Period;

"Billing Statement" has the meaning given to that term in Condition [●] (*Billing Statement*);

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for general business in London;

"Capital Return Component" has the meaning given to that term in the Agreement;⁵

"Capture Plant" has the meaning given to that term in the Agreement;⁶

"Capture Plant Outage Event" means an event where the Capture Plant is unavailable, curtailed or derated (which, for the avoidance of doubt, shall include a Full Capture Plant Outage Event);

"CCS Network Code" means the network code that the Producer is required to comply with in accordance with the [Code Agreement];⁷

"CCUS-Enabled Facility" means a Hydrogen production facility which deploys CO₂ Capture Technology and **"CCUS-Enabled Facilities"** shall be construed accordingly;⁸

"CO₂" means carbon dioxide;

"CO₂ Capture Technology" means technology which is installed or implemented pursuant to the HPBM Programme and which:

- (a) captures some or all of the CO₂ or any substance consisting primarily of CO₂; and
- (b) temporarily stores, processes and exports CO₂ (or any substance consisting primarily of CO₂) for permanent storage; or
- (c) carries out any other process which is preparatory or ancillary to limbs (A) and (B) of this definition;⁹

"CO₂ Industry Documents" means any and all agreements, codes and instruments regulating the capture, temporary storage, permanent storage, distribution, transportation, and trading of CO₂ in the United Kingdom, including any CCS Network Code, and **"CO₂ Industry Document"** shall be construed accordingly;

⁵ Note to Reader: Please refer to the proposed definition in Section C of the LCHA HoTs published on 16 December 2022.

⁶ Note to Reader: For CCUS-Enabled Facilities, the Capture Plant will be described in the front end agreement (see item 1 in Section A of the LCHA HoTs published on 16 December 2022). The definition of Capture Plant may be similar to the definition in the Industrial Carbon Capture Contract published by BEIS on [16] December 2022, although this is subject to further development by BEIS.

⁷ Note to Reader: The Producer is expected to need to enter into the Code Agreement in order to make the CCS Network Code binding upon the Producer.

⁸ Note to Reader: This definition is subject to further development by BEIS.

⁹ Note to Reader: This definition is subject to further development by BEIS.

"CO₂ Rich Stream" means a stream consisting primarily of CO₂ which is produced by the Facility and delivered to the relevant CO₂ T&S Network at the CO₂ T&S Network Delivery Point(s);

"CO₂ T&S Capacity" means the Producer's Registered Long-Term Network Capacity (expressed in tCO_{2RS}) in respect of each Day;¹⁰

"CO₂ T&S Capacity Charge" means the transport and storage capacity charge in respect of the CO₂ T&S Capacity (expressed in £) payable for each Day (*i*)¹¹ calculated in accordance with the following formula:

- (a) if the Producer is a CO₂ T&S Onshore User:

$$CO_2TSCC_i = (CO_2TSONCR_i \times CO_2TSC_i) + (CO_2TSOFFCR_i \times CO_2TSC_i)$$

- (b) if the Producer is a CO₂ T&S Offshore User:

$$CO_2TSCC_i = CO_2TSOFFCR_i \times CO_2TSC_i$$

where:

CO_2TSCC_i = CO₂ T&S Capacity Charge (£) for the relevant Day (*i*);

$CO_2TSONCR_i$ = CO₂ T&S Onshore Capacity Charge Rate (£/tCO_{2RS}) for the relevant Day (*i*);

CO_2TSC_i = CO₂ T&S Capacity (tCO_{2RS}) for the relevant Day (*i*); and

$CO_2TSOFFCR_i$ = CO₂ T&S Offshore Capacity Charge Rate (£/tCO_{2RS}) for the relevant Day (*i*);

"CO₂ T&S Cessation Event" means the occurrence of any one of the following:

- (a) a notice of discontinuation is issued by the Secretary of State to the relevant CO₂ T&S Operator pursuant to a discontinuation agreement entered into between the relevant CO₂ T&S Operator and the Secretary of State;
- (b) the relevant CO₂ T&S Operator's licence to operate the relevant CO₂ T&S Network is: (i) revoked; and (ii) is not transferred to a substitute CO₂ T&S Operator, such that the relevant CO₂ T&S Network ceases to operate or the Producer is no longer able to connect to that CO₂ T&S Network; or
- (c) a determination is made by the relevant Competent Authority that the Producer's connection to the relevant CO₂ T&S Network is no longer viable;

"CO₂ T&S Charges Amount" has the meaning given to that term in Condition 13.2 (CO₂ T&S Charges Amount calculation);

"CO₂ T&S Charging Year" means the period from 1 April in any calendar year until and including 31 March in the following calendar year;

¹⁰ Note to Reader: This definition is subject to further review as the CO₂ T&S charging and capacity booking methodology/system is developed.

¹¹ Note to Reader: BEIS intends to pro-rate all CO₂ T&S charges that the LCHA Counterparty pays the Producer based on the ratio of Qualifying Volumes to total Metered H₂ Output in the relevant period. BEIS is still considering the frequency of, and the trigger for, all such payments.

"CO₂ T&S Commissioning Delay Event" means an event or circumstance that prevents or delays the development, construction, completion, and/or commissioning of the relevant CO₂ T&S Network and as a result prevents or delays the [Facility] from exporting captured CO₂ Rich Stream to the relevant CO₂ T&S Network (except to the extent that such event or circumstance arises out of or in connection with an act, omission breach or default of the Producer or its Representatives, including any breach by the Producer or its Representatives of a CO₂ Industry Document). This includes but is not limited to the failure of the relevant CO₂ T&S Operator to carry out in a timely manner: (A) any connection works specified in the CO₂ T&S Construction Agreement; or (B) any required works to the relevant CO₂ T&S Network in order for the [Facility] to export captured CO₂ Rich Stream to the relevant CO₂ T&S Network;

"CO₂ T&S Connection Agreement" means the agreement between the relevant CO₂ T&S Operator and the Producer relating to the export of captured [CO₂] to the relevant CO₂ T&S Network by the Producer;

"CO₂ T&S Connection Confirmation Requirement" means the evidence, in form and content satisfactory to the LCHA Counterparty, that the Facility has connected to the CO₂ T&S Network in accordance with the CO₂ T&S Operator's compliance requirements, to be delivered by the Producer to the LCHA Counterparty;

"CO₂ T&S Delivery Point Size" means the aggregate size of the CO₂ T&S Network Delivery Point(s) (*expressed in tCO_{2RS}*) in respect of each Day;

"CO₂ T&S Flow Charge" means the transport and storage flow charge in respect of the Metered CO₂ Rich Stream Output to CO₂ T&S (*expressed in £*) for each Day (*i*)¹² calculated in accordance with the following formula:

(a) if the Producer is a CO₂ T&S Onshore User:

$$CO_2TSFC_i = (CO_2TSONFR_i \times CO2RICH_{out_T\&S,i}) + (CO_2TSOFFFR_i \times CO2RICH_{out_T\&S,i})$$

(b) if the Producer is a CO₂ T&S Offshore User:

$$CO_2TSFC_i = CO_2TSOFFFR_{CR,i} \times CO2RICH_{out_T\&S,i}$$

where:

CO_2TSFC_i = CO₂ T&S Flow Charge (£) for the relevant Day (*i*);

$CO_2TSONFR_i$ = CO₂ T&S Onshore Flow Charge Rate (£/tCO_{2RS}) for the relevant Day (*i*);

$CO2RICH_{out_T\&S,i}$ = Metered CO₂ Rich Stream Output to CO₂ T&S (tCO_{2RS}) for the relevant Day (*i*); and

$CO_2TSOFFFR_i$ = CO₂ T&S Offshore Flow Charge Rate (£/tCO_{2RS}) for the relevant Day (*i*);

"CO₂ T&S Network" means a network including, but not limited to:

¹² Note to Reader: BEIS intends to pro-rate all CO₂ T&S charges that the LCHA Counterparty pays the Producer based on the ratio of Qualifying Volumes to total Metered H₂ Output in the relevant period. BEIS is still considering the frequency of, and the trigger for, all such payments.

(a) pipelines used for the transportation of captured CO₂ Rich Stream from one capture plant to a storage facility or to or from any captured CO₂ Rich Stream pipeline network; and

(b) storage facilities for the permanent storage of captured CO₂ Rich Stream,

owned or operated by a CO₂ T&S Operator within the United Kingdom, which may include onshore and offshore components and which, for the avoidance of doubt, shall not include any pipelines, routes or storage facilities for CO₂ Utilisation;¹³

"CO₂ T&S Network Availability Date" means the first to occur of:

(a) the date on which either Party gives notice to the other Party pursuant to Condition [●] (*T&S Network Availability Notice*) that the relevant CO₂ T&S Network is available to enable the Capture Plant to export captured CO₂ to the relevant CO₂ T&S Network so that the Producer may fulfil or procure the fulfilment of the CO₂ T&S Connection Confirmation CP; and

(b) the date on which the Producer fulfils the CO₂ T&S Connection Confirmation CP in accordance with Condition [●] (*CO₂ T&S Connection Confirmation CP*);

"CO₂ T&S Network Charge" means the transport and storage network charge in respect of the CO₂ T&S Delivery Point Size (*expressed in £*) for each Day (*i*)¹⁴ calculated in accordance with the following formula:

(a) if the Producer is a CO₂ T&S Onshore User:

$$CO_2TSNC_i = (CO_2TSOONNCR_i \times CO_2TSDPS_i) + (CO_2TSOFFNCR_i \times CO_2TSDPS_i)$$

(b) if the Producer is a CO₂ T&S Offshore User:

$$CO_2TSNC_i = CO_2TSOFFNCR_i \times CO_2TSDPS_i$$

where:

CO_2TSNC_i = CO₂ T&S Network Charge (£) for the relevant Day (*i*);

$CO_2TSOONNCR_{CR,i}$ = CO₂ T&S Onshore Network Charge Rate (£/tCO_{2RS}) for the relevant Day (*i*);

CO_2TSDPS_i = CO₂ T&S Delivery Point Size (tCO_{2RS}) for the relevant Day (*i*);
and

$CO_2TSOFFNCR_i$ = CO₂ T&S Offshore Network Charge Rate (£/tCO_{2RS}) for the relevant Day (*i*);

"CO₂ T&S Network Delivery Point(s)" has the meaning given to that term in the Agreement;¹⁵

¹³ Note to Reader: This definition is subject to further review as the CO₂ T&S business model develops.

¹⁴ Note to Reader: BEIS intends to pro-rate all CO₂ T&S charges that the LCHA Counterparty pays the Producer based on the ratio of Qualifying Volumes to total Metered H₂ Output in the relevant period. BEIS is still considering the frequency of, and the trigger for, all such payments.

¹⁵ Note to Reader: This definition may be similar to the definition in the Industrial Carbon Capture Contract published by BEIS on [16] December 2022, although this is subject to further development by BEIS.

"CO₂ T&S Offshore Capacity Charge Rate" means the transport and storage offshore capacity charge rate (*expressed in £/tCO_{2RS}*) for the relevant CO₂ T&S Charging Year calculated in accordance with Section [H] of the CCS Network Code;¹⁶

"CO₂ T&S Offshore Flow Charge Rate" means the transport and storage offshore flow charge rate (*expressed in £/tCO_{2RS}*) for the relevant CO₂ T&S Charging Year calculated in accordance with Section [H] of the CCS Network Code;¹⁷

"CO₂ T&S Offshore Network Charge Rate" means the transport and storage offshore network charge rate (*expressed in £/tCO_{2RS}*) for the relevant CO₂ T&S Charging Year calculated in accordance with Section [H] of the CCS Network Code;¹⁸

"CO₂ T&S Offshore Transportation and Storage System" has the meaning given to that term in the CCS Network Code;

"CO₂ T&S Offshore User" means a Producer with a CO₂ T&S Network Delivery Point which connects directly to a CO₂ T&S Offshore Transportation System;

"CO₂ T&S Onshore Capacity Charge Rate" means the transport and storage onshore capacity charge rate (*expressed in £/tCO_{2RS}*) for the relevant CO₂ T&S Charging Year calculated in accordance with Section [H] of the CCS Network Code;¹⁹

"CO₂ T&S Onshore Flow Charge Rate" means the transport and storage onshore flow charge rate (*expressed in £/tCO_{2RS}*) for the relevant CO₂ T&S Charging Year calculated in accordance with Section [H] of the CCS Network Code;²⁰

"CO₂ T&S Onshore Network Charge Rate" means the transport and storage onshore network charge rate (*expressed in £/tCO_{2RS}*) for the relevant CO₂ T&S Charging Year calculated in accordance with Section [H] of the CCS Network Code;²¹

"CO₂ T&S Onshore Transportation System" has the meaning given to that term in the CCS Network Code;

"CO₂ T&S Onshore User" means a Producer with a CO₂ T&S Network Delivery Point which connects directly to a CO₂ T&S Onshore Transportation System;

"CO₂ T&S Operator" means a licensed company operating and maintaining a CO₂ T&S Network;

"CO₂ T&S Outage Event" means an event or circumstance affecting the relevant CO₂ T&S Network (excluding a CO₂ T&S Commissioning Delay Event or a CO₂ T&S Cessation Event), that prevents the Capture Plant from accessing the full entry capacity to the relevant CO₂ T&S Network that the Producer has reserved under the CO₂ T&S Connection Agreement [for a period exceeding one (1) Day]²² (which, for the avoidance of doubt, shall include a Full CO₂ T&S Outage Event);

¹⁶ Note to Reader: This definition is subject to further development as the CO₂ T&S Business Model develops.

¹⁷ Note to Reader: This definition is subject to further development as the CO₂ T&S Business Model develops.

¹⁸ Note to Reader: This definition is subject to further development as the CO₂ T&S Business Model develops.

¹⁹ Note to Reader: This definition is subject to further development as the CO₂ T&S Business Model develops.

²⁰ Note to Reader: This definition is subject to further development as the CO₂ T&S Business Model develops.

²¹ Note to Reader: This definition is subject to further development as the CO₂ T&S Business Model develops.

²² Note to Reader: BEIS is considering whether, as with the ICC Contract, CO₂ T&S Outage Events should have a 1 day de minimis duration.

"CO₂ T&S Outage Relief Event" means a Capture Plant Outage Event which occurs as a direct result of a CO₂ T&S Outage Event (including a CO₂ T&S Planned Outage) but excluding any CO₂ T&S Outage Event that arises out of or in connection with any act, omission, breach or default of the Producer or its Representatives (including any breach by the Producer or its Representatives of a CO₂ Industry Document) [and provided that prior to or following the occurrence of the CO₂ T&S Outage Event, the Producer has not notified the LCHA Counterparty of the occurrence of a Full Capture Plant Outage Event (which does not occur as a direct result of the CO₂ T&S Outage Event) pursuant to Condition [●] (*Notification of Full Capture Plant Outage Events*)];

"CO₂ T&S Outage Relief Event Billing Period" has the meaning given to that term in Condition 12.1(a) (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Outage Relief Event Day" has the meaning given to that term in Condition 12.1(a) (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Outage Relief Event Notice" has the meaning given to that term in Condition 12.1 (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Outage Relief Event Recalculation Amount" has the meaning given to that term in Condition 12.5(b)(ii) (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Outage Relief Event Response Notice" has the meaning given to that term in Condition 12.3 (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Outage Relief Event Strike Price Deduction" means:

- (a) where a CO₂ T&S Outage Relief Event occurs between the Start Date and the date on which the Producer satisfies the CO₂ T&S Connection Confirmation Requirement, the Capital Return Component;
- (b) where a CO₂ T&S Outage Relief Event occurs between the date on which the Producer satisfies the CO₂ T&S Connection Confirmation Requirement and the second (2nd) anniversary of the CO₂ T&S Network Availability Date, zero (0); and
- (c) where a CO₂ T&S Outage Relief Event occurs following the second (2nd) anniversary of the CO₂ T&S Network Availability Date, the Capital Return Component;

"CO₂ T&S Outage Relief Event Strike Price Deduction Amount" has the meaning given to that term in Condition 12.5(b) (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Outage Relief Event Supporting Information" has the meaning given to that term in Condition 12.3(b) (*CO₂ T&S Outage Relief Events*);

"CO₂ T&S Planned Outage" means a CO₂ T&S Outage Event that has been scheduled in advance by the relevant CO₂ T&S Operator, and notified to the Producer by the CO₂ T&S Operator pursuant to [the CCS Network Code];²³

"CO₂ Utilisation" means any process or method which (i) uses or intends to use any captured CO₂ from the Facility as a feedstock or (ii) sells or intends to sell captured CO₂, in each case excluding any captured CO₂ from the Facility that is directed to a CO₂ T&S Network;

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Note to Reader: This definition is subject to further review as the CO₂ T&S business model develops.

"Code Agreement" means the agreement entered into by the Producer which makes the CCS Network Code binding on such Producer;

"CPI" means:

- (a) the all items index of consumer price inflation published each Month by the Office for National Statistics;
- (b) if that index is no longer being published, such index as the LCHA Counterparty may reasonably determine to be appropriate in the circumstances; or
- (c) if there is a material change to the basis of that index, such other index as the LCHA Counterparty may from time to time reasonably determine to be appropriate in the circumstances;²⁴

"Daily Metered H₂ Output" means the quantity of Hydrogen (*expressed in MWh (HHV)*) during the relevant Day, as measured by the Outlet H₂ Metering Equipment at the H₂ Delivery Point(s) during such Day;

"Day" means a calendar day;

"Difference Amount" has the meaning given to that term in Condition 7.1 (*Difference Amount calculation*);

"Directors' Certificate" means a certificate signed by two (2) directors of the Producer or one (1) director of the Producer in the presence of a witness who attests the signature, such directors or director (as applicable) having made, and confirmed in the certificate as having made, all due and careful enquiries in relation to the information set out in such certificate (or set out in the notice, or enclosures or appendices to the notice, which such certificate is accompanying) and certifying that such information is in all material respects true, complete, accurate and not misleading, in each case by reference to the facts and circumstances then existing, provided that where any such information is provided by a third party that is not a holding company or subsidiary of the Producer or a Representative of any such party or the Producer and is marked as such, the certification of the director or directors (as applicable) of that information shall only extend to the certification that that information is in all material respects true, complete, accurate and not misleading to the best of his or their knowledge and belief having made all due and careful enquiries;

"Dispute Resolution Procedure" means the rules, obligations and procedures set out in Part 14 (*Dispute Resolution*) including the Arbitration Procedure and the Expert Determination Procedure but excluding the provisions of Condition 63.1 (*Metering Disputes*);

"Electrolytic Facility" means a [Hydrogen production facility] which deploys Electrolytic Technology and **"Electrolytic Facilities"** shall be construed accordingly;²⁵

"Electrolytic Technology" means technology which is installed or implemented pursuant to the HPBM Programme and which produces Hydrogen via water electrolysis, where water is split into Hydrogen and oxygen using electricity;

"Excess Volumes" has the meaning given to that term in Condition 10.3(b) (*LCHA Production Cap calculation*);

²⁴ Note to Reader: This definition is subject to further development by BEIS.

²⁵ Note to Reader: This definition is subject to further consideration by BEIS.

"Excess Volume Adjustment Amount" has the meaning given to that term in Condition 10.3(b) (*LCHA Production Cap calculation*);

"Expert Determination Procedure" means the rules, obligations and procedures set out in Condition 59 (*Expert Determination Procedure*);

"Facility" has the meaning given to that term in the Agreement;²⁶

"Facility Outage Event" means an event where the Facility is unavailable, curtailed or derated (which, for the avoidance of doubt, shall include a Full Facility Outage Event);

"Fallback GRP Index" means the [●];²⁷

"Feedstock Purposes" means the use of some or all of the Metered H₂ Output:

- (a) as an input material to produce or manufacture any product(s) with a different chemical composition to Hydrogen (including ammonia, petrochemicals, and synthetic fuels); or
- (b) not as a fuel for heat, power, or combustion purposes,

in either case as determined by the LCHA Counterparty, acting reasonably;

"Final Installed Capacity" has the meaning given to that term in Condition [●] (*Final Installed Capacity*);

"Final Installed Capacity Notice" has the meaning given to that term in Condition [●] (*Final Installed Capacity*);

"Fiscal Year" means the period from 1 April in any calendar year until and including 31 March in the following calendar year;

"Floor Price" has the meaning given to that term in Condition 6.9 (*Floor Price calculation*);

"Full Capture Plant Outage Event" means an event where the Capture Plant is fully unavailable;

"Full CO₂ T&S Outage Event" means an event or circumstance affecting the relevant CO₂ T&S Network which prevents the Capture Plant from accessing and exporting any captured CO₂ Rich Stream to such CO₂ T&S Network [for a period exceeding one (1) Day]²⁸;

"Full Facility Outage Event" means an event where the Facility is fully unavailable to produce Hydrogen;

"Further CO₂ T&S Outage Relief Event Response Notice" has the meaning given to that term in Condition 12.4(c)(ii) (*CO₂ T&S Outage Relief Events*);

"Gas" or **"Natural Gas"** shall have the same meaning as in the [Uniform Network Code];

²⁶ Note to Reader: Please refer to the proposed definition in Section C of the LCHA HoTs published on 16 December 2022.

²⁷ Note to Reader: This definition is subject to further development by BEIS.

²⁸ Note to Reader: BEIS is considering whether, as with the ICC Contract, CO₂ T&S Outage Events should have a 1 day de minimis duration.

"Gas Act" means the Gas Act 1986 as such act is amended or replaced and any regulations made thereunder as amended or re-enacted from time to time;

"Gas Licensed Transporter" means a person who is authorised by a Gas Transporter Licence to distribute Natural Gas;

"Gas Price Source" means the index to be used in the calculation of the Gas Reference Price, being the Initial GRP Index or, where Condition 6.12 (*Floor Price calculation*) applies, the Fallback GRP Index, or such other replacement or supplementary indices which are required to be so used as a result of the operation of the provisions of Annex [●] (*Gas Reference Price Review*);

"Gas Reference Price" has the meaning given to that term in Condition 6.11 (*Floor Price calculation*);

"Gas Reference Price Review" means a review of the gas reference price in the UK carried out by the LCHA Counterparty pursuant to Annex [●] (*Gas Reference Price Review*);

"Gas Transportation System" means all or part of a transportation system in Great Britain operated by a Gas Licensed Transporter;

"Gas Transporter Licence" means a licence granted under Section 7 of the Gas Act;

"H₂ Delivery Point(s)" has the meaning given to that term in the Agreement;²⁹

"HPBM Programme" means a programme, as such programme may be updated from time to time, to deploy a system comprising [●];³⁰

"Hydrogen" shall have the same meaning as in [●];³¹

"ICE Adjustment Notice" has the meaning given to that term in Condition [●] (*Adjustment to Installed Capacity Estimate: Permitted reduction*);

"Indexation Adjustment" has the meaning given to that term in Condition 11.1 (*Indexation for Electrolytic Facilities*);

"Indexation Anniversary" has the meaning given to that term in Condition 11.2 (*Indexation for Electrolytic Facilities*);

"Inflation Factor" means:³²

- (a) in the absence of any re-basing of the CPI which has taken effect prior to the relevant Indexation Anniversary in respect of each Day (*i*):

$$\Pi_i = \frac{CPI_i}{CPI_{base}}$$

where:

²⁹ Note to Reader: This will be (i) the meter at the physical boundary of the Facility, (ii) the meter at the exit point of the off-site Hydrogen storage facility, or (iii) both, depending on the proposed design of the Hydrogen production facility and the proposed use of Hydrogen storage facilities (see item 4.4 in Section B of the LCHA HoTs published on 16 December 2022).

³⁰ Note to Reader: This definition is subject to further development by BEIS.

³¹ Note to Reader: This definition is subject to further development by BEIS.

³² Note to Reader: This definition is subject to further development by BEIS.

Π_i	=	is the Inflation Factor which applies on and from the relevant Indexation Anniversary;
CPI_i	=	denotes the CPI for January of the relevant calendar year or, where the CPI for January is not published by 1 April in such calendar year, the Reference CPI, which is applicable to the Day (<i>i</i>);
CPI_{base}	=	denotes the Base Year CPI; or

- (b) if the CPI is re-based and such re-basing has taken effect prior to the Indexation Anniversary, in respect of each Day (*i*):

$$\Pi_i = \frac{CPI_i^{new}}{CPI_{base}^{old}} \times \frac{CPI_b^{old}}{CPI_{base}^{new}}$$

where:

Π_i	=	is the Inflation Factor which applies on and from the relevant Indexation Anniversary;
CPI_i^{new}	=	is the CPI applicable to Day (<i>i</i>), using the new (re-based) index;
CPI_{base}^{old}	=	is the Base Year CPI, using the original index;
CPI_b^{old}	=	is the CPI in the Month in which the re-basing has occurred using the original index; and
CPI_{base}^{new}	=	is the CPI in the Month in which the re-basing has occurred, using the new (re-based) index;

"Information" means any information of whatever nature and in whatever form, including written, oral and electronic and in visual or machine-readable form (including CD-ROM, magnetic and digital form) and, in relation to any obligation of any person to provide information pursuant to the LCHA or any other LCHA Document, shall be limited to such information that is within the control of that person, and for these purposes information shall be deemed to be within the control of a person if: (i) it is within the possession of such person; (ii) such person has a right to possession of it; or (iii) such person has a right to inspect or take copies of it;

"Initial Electrolytic Strike Price" has the meaning given to that term in the Agreement;

"Initial GRP Index" means the [●];³³

"Initial LCHA Production Cap" has the meaning given to that term in the Agreement;³⁴

"Initial Non-Gas Strike Price" has the meaning given to that term in the Agreement;³⁵

³³ Note to Reader: This definition is subject to further consideration by BEIS.

³⁴ Note to Reader: This will be equal to the Facility's forecast total Hydrogen production volumes during the Term (i.e. forecast total Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes), expressed in MWh (HHV).

³⁵ Note to Reader: This component of the Strike Price will be equal to the full Strike Price (see item 4.5 in Section B of the LCHA HoTs published on 16 December 2022 for the list of eligible costs that may be included in the Strike Price) minus the Natural Gas Strike Price, being the cost of natural gas for each MWh (HHV) of Hydrogen produced by the Facility which is included in the Strike Price.

"Initial Strike Price" has the meaning given to that term in the Agreement;

"Installed Capacity" means the capacity of the Facility (*expressed in MW (HHV)*) were it to be operated at optimal operating conditions at the Facility on a continual basis for a sustained period at the maximum capacity possible, assuming any source of power used by the Facility to produce Hydrogen was available to it without interruption;³⁶

"Installed Capacity Estimate" means the Producer's estimate of the Installed Capacity from time to time, being the Initial Installed Capacity Estimate as may be adjusted pursuant to Condition [●] (*Adjustment to Installed Capacity Estimate: Relevant Construction Event*) and Condition [●] (*Adjustment to Installed Capacity Estimate: Permitted Reduction*);

"LCHA Counterparty" has the meaning given to that term in the Agreement;³⁷

"LCHA Production Cap" means the Initial LCHA Production Cap (as may be amended from time to time in accordance with the LCHA);

"LCHS" means the UK Low Carbon Hydrogen Standard that has been published at the [Agreement Date];³⁸

"Metered CO₂ Rich Stream Output to CO₂ T&S" means the quantity of CO₂ Rich Stream (*expressed in tCO_{2RS}*) entering the relevant CO₂ T&S Network from the Facility during the relevant Day, as measured by the Outlet CO₂ Metering Equipment at the CO₂ T&S Network Delivery Point(s) during such Day;

"Metered H₂ Output" means the quantity of Hydrogen (*expressed in MWh (HHV)*) during the relevant Billing Period, as measured by the Outlet H₂ Metering Equipment at the H₂ Delivery Point(s) during such Billing Period;

"Metered H₂ Output to Relevant Offtaker" means the Metered H₂ Output which is purchased by a Relevant Offtaker during the relevant Billing Period;

"Month" means a calendar month;

"Month Ahead Natural Gas Contracts" means a contract for the delivery of a firm volume of Natural Gas to the National Balancing Point Virtual Trading Point, in equal amounts, in each calendar day of the nearest Month;³⁹

"Monthly CO₂ T&S Charges Amount" has the meaning given to that term in Condition 13.1 (*CO₂ T&S Charges Amount calculation*);

"Natural Gas Cost Multiplier" has the meaning given to that term in the Agreement;⁴⁰

"Natural Gas Indexation Adjustment" has the meaning given to that term in Condition 11.5(b) (*Indexation for CCUS-Enabled Facilities*);

³⁶ Note to Reader: This definition is subject to further development by BEIS.

³⁷ Note to Reader: Please refer to the proposed definition in Section C of the LCHA HoTs published on 16 December 2022.

³⁸ Note to Reader: This definition is subject to further development by BEIS.

³⁹ Note to Reader: This definition is subject to further development by BEIS.

⁴⁰ Note to Reader: This will be an agreed proportion of up to 1.15 MWh (HHV) of natural gas per 1 MWh (HHV) of Hydrogen, depending on the Facility's design efficiency.

"Natural Gas Strike Price" has the meaning given to that term in Condition 11.10 (*Indexation for CCUS-Enabled Facilities*);

"Non-Gas Indexation Adjustment" has the meaning given to that term in Condition 11.5(a)(i) (*Indexation for CCUS-Enabled Facilities*);

"Non-Gas Indexation Anniversary" has the meaning given to that term in Condition 11.5(a)(i) (*Indexation for CCUS-Enabled Facilities*);

"Non-Gas Strike Price" means the Initial Non-Gas Strike Price, as may be amended from time to time in accordance with the LCHA;

"Non-Qualifying Offtaker" means an Offtaker of Metered H₂ Output who:

- (a) is a Risk-Taking Intermediary;
- (b) exports such Metered H₂ Output for use outside the UK; and/or
- (c) injects such Metered H₂ Output into a Gas Transportation System for blending with Natural Gas,

in each case who has been confirmed by the LCHA Counterparty pursuant to [*BEIS is currently developing the confirmation process that will apply to all offtakers*];⁴¹

"Non-Qualifying Volume" means:

- (a) Metered H₂ Output [or Daily Metered H₂ Output (as applicable)] which is not a Qualifying Volume pursuant to limb (a) and/or (b) of such definition and is not a RTFO Volume; and/or
- (b) Excess Volumes that are deemed to be Non-Qualifying Volumes pursuant to Condition 10.6 (*Annual Volume Cap*),

and **"Non-Qualifying Volumes"** shall be construed accordingly;⁴²

"Offtake Agreement" means any agreement entered into between the Producer and an Offtaker in relation to the sale and purchase of Metered H₂ Output;

"Offtaker" means any person who:

- (a) purchases Metered H₂ Output from the Producer pursuant to an Offtake Agreement; and
- (b) has been confirmed by the LCHA Counterparty pursuant to [*BEIS is currently developing the confirmation process that will apply to all offtakers*];⁴³

"Operational Conditions Precedent" means the operational Conditions Precedent set out in paragraph 2 of Part B of Schedule 1 (*Conditions Precedent*) and **"Operational Condition Precedent"** [and **"OCP"**] shall be construed accordingly;

"Outlet CO₂ Metering Equipment" means the metering equipment which is required to meter the Metered CO₂ Rich Stream Output to CO₂ T&S which may include flow meters, composition analysers, temperature measurement equipment, pressure measurement

⁴¹ Note to Reader: This definition is subject to further development by BEIS.

⁴² Note to Reader: This definition is subject to further development by BEIS.

⁴³ Note to Reader: This definition is subject to further development by BEIS.

equipment, associated communications equipment, and any other necessary ancillary equipment and infrastructure;

"Outlet H₂ Metering Equipment" means the metering equipment which is required to meter each of the Metered H₂ Output and the Metered H₂ Output to Relevant Offtaker which may include flow meters, composition analysers, temperature measurement equipment, pressure measurement equipment, associated communications equipment, and any other necessary ancillary equipment and infrastructure;

"Party" means a party to the LCHA;

"Payment Period" means the period from the Start Date until the Specified Expiry Date (unless the LCHA is terminated pursuant to Conditions [●] or [●] or expires pursuant to Condition 10.2);⁴⁴

"Permitted Annual Volume Cap" has the meaning given to that term in Condition 10.5 (*Annual Volume Cap*);

"Permitted Annual Volume Cap Obligation" has the meaning given to that term in Condition 10.4 (*Annual Volume Cap*);

"Permitted Annual Volume Cap Obligation Breach" has the meaning given to that term in Condition 10.6 (*Annual Volume Cap*);

"Price Discovery Incentive" has the meaning given to that term in Condition 8.2 (*Price Discovery Incentive Amount calculation*);

"Price Discovery Incentive Amount" has the meaning given to that term in Condition 8.1 (*Price Discovery Incentive Amount calculation*);

"Price Discovery Incentive Ratio" means ten per cent. (10%);

"Producer" has the meaning given to that term in the LCHA Agreement;

"QCiL Compensation" means: (i) a QCiL Opex Payment; (ii) a QCiL Capex Payment; [(iii) a QCiL Adjusted Revenues Payment;] (iv) a QCiL Construction Event Payment; (v) a QCiL Operations Cessation Event Payment; and (vi) any combination of any of the foregoing;

"QCiL Compensation Date" has the meaning given to that term in Condition 35.1 (*Qualifying Change in Law: Effective Date and Payment*);

"QCiL Strike Price Adjustment" means any QCiL Compensation which has been, or will be, made by way of a Strike Price Adjustment;

"QCiL True-Up Compensation" means the adjustment to the QCiL Compensation which is necessary to reflect the QCiL True-Up Information;

"QCiL True-Up Strike Price Adjustment" means any QCiL True-Up Compensation which has been, or will be, made by way of a Strike Price Adjustment;

"Qualifying Event" means an event or circumstance which reduces the aggregate of the Metered H₂ Output which constitutes Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes in a Billing Period, except where such event or circumstance arises as a result of:

⁴⁴

Note to Reader: This definition is subject to further development by BEIS.

- (a) the Producer's (or any of its Representatives') breach of, or default under, the LCHA or any Offtake Agreement, or its (or their) negligence;
- (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 under the LCHA, including by curtailing, derating or shutting down the Facility; or
- (c) any Facility Outage Event;

"Qualifying Event Shortfall Amount" means the amount by which the aggregate of the Metered H₂ Output which constitutes Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes in a Billing Period has been reduced as a direct result of one or more Qualifying Event(s), as such amount is determined in accordance with Condition 9.1 (*Sliding Scale Top Up Amount calculation*);

"Qualifying Offtaker" means any Offtaker of Metered H₂ Output who is not a Non-Qualifying Offtaker and who has been confirmed as a Qualifying Offtaker by the LCHA Counterparty pursuant to [*BEIS is currently developing the confirmation process that will apply to all offtakers*];⁴⁵

"Qualifying Volume" means Metered H₂ Output [or Daily Metered H₂ Output (as applicable)] which:

- (a) is purchased by a Qualifying Offtaker; and
- (b) complies with the LCHS or in respect of which a waiver of the requirement to comply with the LCHS applies pursuant to Condition 12.5 (*CO₂ T&S Outage Relief Events*),

and in each case which is not a RTFO Volume, and **"Qualifying Volumes"** shall be construed accordingly;⁴⁶

"RCE-Adjusted Installed Capacity Estimate" has the meaning given to that term in Condition [●] (*Adjustment to Installed Capacity Estimate: Relevant Construction Event*);

"Reference CPI" means the most recently published CPI;⁴⁷

"Reference Price for Non-Qualifying Volumes" has the meaning given to that term in Condition 6.2 (*Reference Price calculations*);

"Reference Price for Qualifying Volumes" has the meaning given to that term in Condition 6.1(a) (*Reference Price calculations*);

"Reference Volume" means the Annual Volume Cap divided by twelve (12);

"Registered Long-Term Network Capacity" has the meaning given to that term in the CCS Network Code;⁴⁸

"Relevant Invoiced Amount" has the meaning given to that term in Condition 6.6 or Condition 6.7 (as applicable) (*Achieved Sales Price calculation*);

⁴⁵ Note to Reader: This definition is subject to further development by BEIS.

⁴⁶ Note to Reader: This definition is subject to further development by BEIS.

⁴⁷ Note to Reader: This definition is subject to further development by BEIS.

⁴⁸ Note to Reader: This definition is subject to further review as the CO₂ T&S charging and capacity booking methodology/system is developed, including where a Producer's registered capacity will be recorded.

"Relevant Offtaker" means any Offtaker who is:

- (a) for the purposes of Conditions 6.2, 6.4, 6.6, 6.8, 6.9, 7.1 (but only in respect of the calculation of $\sum_{t=1}^n Volume_{QVRIA,t,m}$), 8.1 and 9.1, a Qualifying Offtaker who purchases Metered H₂ Output which complies with the LCHS or in respect of which a waiver of the requirement to comply with the LCHS applies pursuant to Condition 12.5 (*CO₂ T&S Outage Relief Events*); and
- (b) for the purpose of Conditions 6.3, 6.5, 6.7 and 7.1 (but only in respect of the calculation of $\sum_{t=1}^n Volume_{NQVRIA,t,m}$), a Qualifying Offtaker who purchases Metered H₂ Output which does not comply with the LCHS or in respect of which a waiver of the requirement to comply with the LCHS does not apply pursuant to Condition 12.5 (*CO₂ T&S Outage Relief Events*), or a Non-Qualifying Offtaker;⁴⁹

"Remaining Unused Annual Volumes" means, in respect of each Fiscal Year, the unused portion of the Annual Volume Cap (if applicable), which shall be equal to the Annual Volume Floor less the Metered H₂ Output for such Fiscal Year;

"Renewable Transport Fuel Certificate" means a certificate issued by the RTFO Administrator under the Renewable Transport Fuel Obligations Order 2007 (as amended);

"Risk-Taking Intermediary" means an Offtaker of Metered H₂ Output who enters into:

- (a) an agreement with the Producer for the supply of, and transfer of the legal and beneficial title in, such Metered H₂ Output; and
- (b) one or more agreement(s) to supply, and transfer the legal and beneficial title in, the same volumes of such Metered H₂ Output to one or more purchaser(s);⁵⁰

"RTFO Scheme" means the Renewable Transport Fuel Obligation scheme established under the Renewable Transport Fuel Obligations Order 2007 (as amended);

"RTFO Volume" means Metered H₂ Output [or Daily Metered H₂ Output (as applicable)] in respect of which [Renewable Transport Fuel Certificates] are claimed under the [RTFO Scheme] and **"RTFO Volumes"** shall be construed accordingly;⁵¹

"Sliding Scale Top Up" has the meaning given to that term in Condition 9.3 (*Sliding Scale Top Up Amount calculation*);

"Sliding Scale Top Up Amount" has the meaning given to that term in Condition 9.1 (*Sliding Scale Top Up Amount calculation*);

"Sliding Scale Top Up Condition" has the meaning given to that term in Condition 9.2 (*Sliding Scale Top Up Amount calculation*);

"Specified Expiry Date" means the fifteenth (15th) anniversary of the earlier of the Start Date and the last day of the Target Commissioning Window;

⁴⁹ Note to Reader: This definition is subject to further development by BEIS.

⁵⁰ Note to Reader: This definition is subject to further development by BEIS.

⁵¹ Note to Reader: This definition is subject to further development by BEIS.

"Start Date" has the meaning given to that term in Condition [●] (*Notification of Start Date*);⁵²

"Start Date Notice" has the meaning given to that term in Condition 3.22 (*Notification of Start Date*);

"Strike Price" means:

- (a) for Electrolytic Facilities, the Initial Electrolytic Strike Price (as may be amended from time to time in accordance with the LCHA); and
- (b) for CCUS-Enabled Facilities, the sum of the:
 - (i) Non-Gas Strike Price; and
 - (ii) Natural Gas Strike Price [(as may be amended from time to time in accordance with the LCHA)];

"Strike Price Adjustment" means any adjustment to the Strike Price effected pursuant to and in accordance with the LCHA, including: (i) a QCiL Strike Price Adjustment; (ii) a QCiL True-Up Strike Price Adjustment; and (iii) an Indexation Adjustment;

"Strike Price Adjustment Calculation Period" means, in respect of any calendar year, the period from the date the CPI for January in the relevant calendar year is published (or, where the Reference CPI is used, the fifth (5th) Business Day prior to the end of March in the relevant calendar year) to and including 1 April in that calendar year;⁵³

"Supporting Information" means any and all calculations, confirmations, data, documentation, evidence (including expert's reports), explanations, information, measurements, readings, reports (including expert's reports), representations and statements (whether in written or documentary form);

"Take-or-Pay Volumes" means Hydrogen that the Producer has not produced and sold but in respect of which it has received payment under a take-or-pay (or similar) arrangement with an Offtaker(s);

"Target Commissioning Window" means the Initial Target Commissioning Window for the Facility as specified in the Agreement, as such period may be extended day for day for each day of delay to the Project by reason of:

- (a) a Force Majeure in respect of which the Producer is the FM Affected Party, but only to the extent that the Producer has satisfied the requirements and conditions of Condition [71] (*Force Majeure*) to be entitled to such extension;
- (b) the failure by any Electricity Transmission System Operator, Electricity Transmission Licensee, Electricity Licensed Distributor, to carry out in a timely manner any required system reinforcement or connection works specified in the construction agreement attributable to the Facility and to which any Electricity Transmission System Operator, Electricity Transmission Licensee, Electricity Licensed Distributor is a party (except to the extent that such failure is due to the fault or negligence of the Producer or its Representatives);

⁵² Note to Reader: This will be the date on which the Producer notifies the LCHA Counterparty that the Operational Conditions Precedent have been fulfilled (or waived by the LCHA Counterparty).

⁵³ Note to Reader: This definition is subject to further development by BEIS.

- (c) the failure of the Gas Licensed Transporter to carry out in a timely manner any required system reinforcement or connection works specified in the construction agreement attributable to the Facility and to which any Gas Licensed Transporter is a party (except to the extent that such failure is due to the fault or negligence of the Producer or its Representatives);
- (d) the failure of the Water Licensed Operator to carry out in a timely manner any required system reinforcement or connection works specified in the construction agreement attributable to the Facility and to which any Water Licensed Operator is a party (except to the extent that such failure is due to the fault or negligence of the Producer or its Representatives);⁵⁴ or
- (e) for CCUS-Enabled Facilities only, a CO₂ T&S Commissioning Delay Event but only to the extent that the Producer has satisfied the requirements of Conditions [●] and [●] (*Relief due to CO₂ T&S Commissioning Delay Event*) to be entitled to such extension,

and provided that in the case of delays caused by the reasons in [●], (C) and/or (D) above;

- (i) the Producer gives notice to the LCHA Counterparty as soon as reasonably practicable of the nature and extent of the failure; and
- (ii) there shall be no extension for any day of delay to the Project that could have been avoided by the Producer and its Representatives using reasonable endeavours
 - (A) to mitigate the effects of such failure (including delay to the Project);
 - (B) to carry out its obligations under the LCHA and each other LCHA Document in any way that is reasonably practicable; and
 - (C) to resume the performance of its obligations under the LCHA and each other LCHA Document as soon as reasonably practicable;

"Term" has the meaning given to that term in Condition 2.1 (*Term and duration*);⁵⁵

"Total Aggregate Volume" has the meaning given to that term in Condition 10.2 (*LCHA Production Cap calculation*);

"Trading Day" means any day on which trading on the market from which the Gas Price Source is derived ordinarily takes place; and

"Uniform Network Code" means the uniform network code prepared pursuant to the Gas Transporter Licence.

⁵⁴ Note to Reader: The terminology relating to any applicable third party water operator is still being developed.

⁵⁵ Note to Reader: The term is the period from the Agreement Date to the Specified Expiry Date (subject to early termination/expiry in accordance with the LCHA).

6. PAYMENT CALCULATIONS

Explanatory note – as set out in further detail below, the main payment for each Billing Period during the Payment Period will comprise the following:

- (a) the **Difference Amount**, which is calculated by considering Qualifying Volumes and Non-Qualifying Volumes, and will be payable by either the LCHA Counterparty (where, for Qualifying Volumes only, the Strike Price is higher than the Reference Price) or the Producer (where, for Qualifying Volumes and/or Non-Qualifying Volumes, the Reference Price is higher than the Strike Price);
- (b) the **Price Discovery Incentive Amount** which will be payable by the LCHA Counterparty to the Producer where the Reference Price for Qualifying Volumes is greater than the Floor Price;
- (c) the **Sliding Scale Top Up Amount** which will be payable by the LCHA Counterparty to the Producer for Qualifying Volumes in certain circumstances where the total Metered H₂ Output which constitutes Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes, and any Take-or-Pay Volumes,⁵⁶ is less than [fifty per cent (50%)]⁵⁷ of the Reference Volume;
- (d) for CCUS-Enabled Facilities only, any **CO₂ T&S Outage Relief Event Strike Price Deduction Amount** that is payable by the Producer to the LCHA Counterparty; and
- (e) for CCUS-Enabled Facilities only, any **Monthly CO₂ T&S Charges Amount** that is payable by the LCHA Counterparty to the Producer.

Reference Price calculations

6.1 The LCHA Counterparty shall calculate:

- (a) the Reference Price for Qualifying Volumes, expressed in £/MWh (HHV), in respect of each Billing Period following the Start Date in accordance with Condition 6.2; and
- (b) the Reference Price for Non-Qualifying Volumes, expressed in £/MWh (HHV), in respect of each Billing Period following the Start Date in accordance with Condition 6.3.

6.2 The "**Reference Price for Qualifying Volumes**" shall be calculated as follows:

$$RP_{QV,m} = \frac{\sum_{t=1}^n \text{Max}(ASP_{QV,t,m}, \text{Floor}_{QV,t,m}) \times \text{Volume}_{QVRIA,t,m}}{\sum_{t=1}^n \text{Volume}_{QVRIA,t,m}}$$

where:

$RP_{QV,m}$	=	Reference Price (£/MWh (HHV)) for Qualifying Volumes in the relevant Billing Period (m)
n	=	number of Relevant Offtakers in respect of Qualifying Volumes in the relevant Billing Period (m)
t	=	each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period (m)

⁵⁶ Note to Reader: This remains subject to further consideration by BEIS.

⁵⁷ Note to Reader: This remains subject to further consideration by BEIS.

$ASP_{QV,t,m}$	=	Achieved Sales Price (£/MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes in the relevant Billing Period (m)
$Floor_{QV,t,m}$	=	Floor Price (£/MWh (HHV)) that applies to each Relevant Offtaker (t) in respect of Qualifying Volumes in the relevant Billing Period (m)
$Volume_{QVRIA,t,m}$	=	Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)
$\sum_{t=1}^n Volume_{QVRIA,t,m}$	=	sum of Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)

6.3 The "**Reference Price for Non-Qualifying Volumes**" shall be calculated as follows:

$$RP_{NQV,m} = \frac{\sum_{t=1}^n \text{Max}(ASP_{NQV,t,m}, SP_m) \times Volume_{NQVRIA,t,m}}{\sum_{t=1}^n Volume_{NQVRIA,t,m}}$$

where:

$RP_{NQV,m}$	=	Reference Price (£/MWh (HHV)) for Non-Qualifying Volumes in the relevant Billing Period (m)
n	=	number of Relevant Offtakers in respect of Non-Qualifying Volumes in the relevant Billing Period (m)
t	=	each Relevant Offtaker in respect of Non-Qualifying Volumes in the relevant Billing Period (m)
$ASP_{NQV,t,m}$	=	Achieved Sales Price (£/MWh (HHV)) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes in the relevant Billing Period (m)
SP_m	=	Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)
$Volume_{NQVRIA,t,m}$	=	Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)
$\sum_{t=1}^n Volume_{NQVRIA,t,m}$	=	sum of Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)

Achieved Sales Price calculation

6.4 The "**Achieved Sales Price**" for each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period shall be calculated as follows:

$$ASP_{QV,t,m} = \frac{RIA_{QV,t,m}}{Volume_{QVRIA,t,m}}$$

where:

$ASP_{QV,t,m}$ = Achieved Sales Price (£/MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes in the relevant Billing Period (m)

$RIA_{QV,t,m}$ = Relevant Invoiced Amount (£) for each Relevant Offtaker (t) in respect of Qualifying Volumes in the relevant Billing Period (m)

$Volume_{QVRIA,t,m}$ = Metered H₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)

- 6.5 The "**Achieved Sales Price**" for each Relevant Offtaker in respect of Non-Qualifying Volumes in the relevant Billing Period shall be calculated as follows:

$$ASP_{NQV,t,m} = \frac{RIA_{NQV,t,m}}{Volume_{NQVRIA,t,m}}$$

where:

$ASP_{NQV,t,m}$ = Achieved Sales Price (£/MWh (HHV)) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes in the relevant Billing Period (m)

$RIA_{NQV,t,m}$ = Relevant Invoiced Amount (£) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes in the relevant Billing Period (m)

$Volume_{NQVRIA,t,m}$ = Metered H₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)

- 6.6 The "**Relevant Invoiced Amount**" for each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period shall be calculated as follows:⁵⁸

[●]

- 6.7 The "**Relevant Invoiced Amount**" for each Relevant Offtaker in respect of Non-Qualifying Volumes in the relevant Billing Period shall be calculated as follows:⁵⁹

[●]

Floor Price calculation

⁵⁸ Note to Reader: The parameters for the ASP calculation and verification process are to be confirmed. Please refer to item 4.7 in Section B of the LCHA HoTs published on 16 December 2022 for a high level overview of this process.

⁵⁹ Note to Reader: The parameters for the ASP calculation and verification process are to be confirmed. Please refer to item 4.7 in Section B of the LCHA HoTs published on 16 December 2022 for a high level overview of this process.

6.8 The LCHA Counterparty shall calculate the Floor Price that applies to each Relevant Offtaker in respect of Qualifying Volumes, expressed in £/MWh (HHV), in respect of each Billing Period following the Start Date in accordance with Condition 6.9.

6.9 The "**Floor Price**" shall be calculated as follows:

- (a) Subject to Condition 6.9(b), the Floor Price that applies to each Relevant Offtaker in respect of Qualifying Volumes in Billing Period (m) shall be calculated in accordance with the following formula:

$$Floor_{QV,t,m} = Min(SP_m, GRP_m)$$

where:

$Floor_{QV,t,m}$ = Floor Price (£/MWh (HHV)) that applies to each Relevant Offtaker (t) in respect of Qualifying Volumes in the relevant Billing Period (m)

SP_m = Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)

GRP_m = Gas Reference Price (£/MWh (HHV)) in the relevant Billing Period (m)

- (b) If Qualifying Volumes are used for Feedstock Purposes by a Qualifying Offtaker, the Floor Price that applies to each Relevant Offtaker in respect of Qualifying Volumes in Billing Period (m) shall be calculated in accordance with the following formula:

$$Floor_{QV,t,m} = Min(SP_m, GRP_m * 1.2)$$

where:

$Floor_{QV,t,m}$ = Floor Price (£/MWh (HHV)) that applies to each Relevant Offtaker (t) in respect of Qualifying Volumes in the relevant Billing Period (m)

SP_m = Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)

GRP_m = Gas Reference Price (£/MWh (HHV)) in the relevant Billing Period (m)

provided that, for the purpose of calculating the Price Discovery Incentive Amount, the Floor Price shall be calculated in accordance with Condition 6.9(a).

6.10 Subject to Conditions 6.12 and 6.13, the Parties acknowledge and agree that the Gas Reference Price shall be determined by the Initial GRP Index.

6.11 The LCHA Counterparty shall determine the "**Gas Reference Price**" for each Billing Period (m) following the Start Date, which shall be expressed in £/MWh (HHV) and calculated as follows:

$$GRP_m = \frac{\sum_{TD=1}^n EDV_{TD}}{TD}$$

where:

GRP_m	=	the Gas Reference Price (£/MWh (HHV)) in the relevant Billing Period (m)
EDV_{TD}	=	the end of day value for each Trading Day in the Month preceding the relevant Billing Period (m) in respect of Month Ahead Natural Gas Contracts, as determined by the Gas Price Source
TD	=	number of Trading Days for the Gas Price Source, in respect of Month Ahead Natural Gas Contracts, in the Month preceding the relevant Billing Period (m)

6.12 If the Initial GRP Index is [●]⁶⁰ in relation to any Billing Period, the Fallback GRP Index shall apply in respect of such Billing Period. The LCHA Counterparty shall as soon as reasonably practicable prior to applying the Fallback GRP Index to determine the Gas Reference Price in relation to any Billing Period pursuant to this Condition 6.12, notify the Producer of the same.

6.13 Condition 5 (*Definitions: Part 4*) and Condition 6.9 (*Floor Price calculation*) may be amended, supplemented or replaced in accordance with Annex [●] (*Gas Reference Price Review*).

7. DIFFERENCE AMOUNT

Difference Amount calculation

7.1 For each Billing Period (m) during the Payment Period, the "**Difference Amount**" shall be calculated in accordance with the following formula:

$$DA_m = (SP_m - RP_{QV,m}) * \sum_{t=1}^n Volume_{QVRIA,t,m} + Min(0, SP_m - RP_{NQV,m}) * \sum_{t=1}^n Volume_{NQVRIA,t,m}$$

where:

DA_m	=	Difference Amount (£) for the relevant Billing Period (m)
SP_m	=	Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)
$RP_{QV,m}$	=	Reference Price (£/MWh (HHV)) for Qualifying Volumes in the relevant Billing Period (m)
$\sum_{t=1}^n Volume_{QVRIA,t,m}$	=	sum of Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)
$RP_{NQV,m}$	=	Reference Price (£/MWh (HHV)) for Non-Qualifying Volumes in the relevant Billing Period (m)
$\sum_{t=1}^n Volume_{NQVRIA,t,m}$	=	sum of Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Non-Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)

⁶⁰ Note to Reader: BEIS is developing the process pursuant to which the LCHA Counterparty may notify a Producer that the Fallback GRP Index will apply, rather than the Initial GRP Index.

7.2 If the Difference Amount:

- (a) is a positive number, the Difference Amount shall be payable by the LCHA Counterparty to the Producer; or
- (b) is a negative number, the absolute value of the Difference Amount shall be payable by the Producer to the LCHA Counterparty.

8. PRICE DISCOVERY INCENTIVE

Price Discovery Incentive Amount calculation

8.1 For each Billing Period (m) during the Payment Period, the "**Price Discovery Incentive Amount**" shall be calculated in accordance with the following formula:

$$PDIA_m = \sum_{t=1}^n Volume_{QVRIA,t,m} * PDI_m$$

where:

$PDIA_m$	=	Price Discovery Incentive Amount (£) for the relevant Billing Period (m)
$\sum_{t=1}^n Volume_{QVRIA,t,m}$	=	sum of Metered H ₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)
PDI_m	=	Price Discovery Incentive (£/MWh (HHV)) for the relevant Billing Period (m)

8.2 For each Billing Period (m) during the Payment Period, the "**Price Discovery Incentive**" shall be calculated in accordance with the following formula:

$$PDI_m = PDIR_m * (Min(RP_{QV,m}, SP_m) - Floor_{QV,m})$$

where:

PDI_m	=	Price Discovery Incentive (£/MWh (HHV)) for the relevant Billing Period (m)
$PDIR_m$	=	the Price Discovery Incentive Ratio for the relevant Billing Period (m)
$RP_{QV,m}$	=	Reference Price (£/MWh (HHV)) for Qualifying Volumes in the relevant Billing Period (m)
SP_m	=	Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)
$Floor_{QV,m}$	=	Floor Price (£/MWh (HHV)) that applies in respect of Qualifying Volumes in the relevant Billing Period (m)

9. SLIDING SCALE TOP UP AMOUNT

Sliding Scale Top Up Amount calculation

- 9.1 Where, in any Billing Period (m) during the Payment Period, the Sliding Scale Top Up Condition has been satisfied⁶¹, the "**Sliding Scale Top Up Amount**" shall be calculated in accordance with the following formula:

$$SSTUA_m = \sum_{t=1}^n Volume_{QVRIA,t,m} * SSTU_m$$

where:

$SSTUA_m$ = Sliding Scale Top Up Amount (£) for the relevant Billing Period (m)

$\sum_{t=1}^n Volume_{QVRIA,t,m}$ = sum of Metered H₂ Output to Relevant Offtaker (MWh (HHV)) for each Relevant Offtaker (t) in respect of Qualifying Volumes relating to the Relevant Invoiced Amount in the relevant Billing Period (m)

$SSTU_m$ = Sliding Scale Top Up for the relevant Billing Period (m)

- 9.2 The "**Sliding Scale Top Up Condition**" is that:

- (a) the aggregate of the Metered H₂ Output which constitutes Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes, and [any Take-or-Pay Volumes]⁶², in the relevant Billing Period is less than [fifty per cent (50%)]⁶³ of the Reference Volume; and
- (b) the sum of (i) the aggregate of the Metered H₂ Output which constitutes Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes, and [any Take-or-Pay Volumes]⁶⁴, in the relevant Billing Period and (ii) the Qualifying Event Shortfall Amount⁶⁵ in the relevant Billing Period, is greater than [or equal to] [fifty per cent (50%)] of the Reference Volume.

- 9.3 The "**Sliding Scale Top Up**" for the relevant Billing Period (m) shall be calculated as follows⁶⁶:

$$SSTU_m = A \times \text{MAX} \left[\left(\frac{1}{1 + bD} \left(1 + bD \frac{\text{Total SS Volume}_m}{V_{\text{Trigger}}} \right) \right)^{\frac{1}{b}} - 100\%, 0\% \right]$$

where:

$SSTU_m$ = Sliding Scale Top Up for the relevant Billing Period (m)

V_{Trigger} = [fifty per cent (50%)] of the Reference Volume

Total SS Volume_m = aggregate of the Metered H₂ Output (MWh) which constitutes Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes,

⁶¹ Note to Reader: The procedure for determining whether the Sliding Scale Top Up Condition has been satisfied in a given Billing Period is subject to further development by BEIS.

⁶² Note to Reader: This remains subject to further consideration by BEIS.

⁶³ Note to Reader: This remains subject to further consideration by BEIS.

⁶⁴ Note to Reader: This remains subject to further consideration by BEIS.

⁶⁵ Note to Reader: The procedure for agreeing the Qualifying Event Shortfall Amount will be developed further by BEIS.

⁶⁶ Note to Reader: This calculation is illustrative only and is subject to further development by BEIS (see item 4.12 in Section B of the LCHA HoTs published on 16 December 2022).

and [any Take-or-Pay Volumes], in the relevant Billing Period (*m*)

A = Non-Variable Costs Strike Price⁶⁷

$D, 0 < b < 1$ = [Constants to be determined. The constants will need to work within the parameters of the Sliding Scale Top Up as outlined in item 4.12 in Section B of the LCHA HoTs published on 16 December 2022 and meet the Sliding Scale Top Up Condition.⁶⁸ For illustration purposes only: $b = 0.5, D = 1.0$]

10. LCHA PRODUCTION CAP

LCHA Production Cap calculation

10.1 With effect from the Agreement Date, the LCHA Production Cap shall be adjusted in accordance with the following calculations:⁶⁹

- (a) where the Installed Capacity Estimate is adjusted pursuant to a valid ICE Adjustment Notice which the Producer submits to the LCHA Counterparty pursuant to Condition [●] (*Adjustment to Installed Capacity Estimate: Permitted reduction*), the LCHA Production Cap shall be equal to:

$$LCHAPC = \frac{AICE_{PR,i} * LCHAPC_{i-1}}{ICE_{i-1}}$$

where:

$LCHAPC$ = the adjusted LCHA Production Cap (*MWh (HHV)*)

$AICE_{PR,i}$ = the adjusted Installed Capacity Estimate that will apply from Day (*i*) following the application of Condition [●] (*Adjustment to Installed Capacity Estimate: Permitted reduction*)

$LCHAPC_{i-1}$ = the LCHA Production Cap that applied in Day (*i-1*) prior to the application of Condition [●] (*Adjustment to Installed Capacity Estimate: Permitted reduction*)

ICE_{i-1} = the Installed Capacity Estimate that applied in Day (*i-1*) prior to the application of Condition [●] (*Adjustment to Installed Capacity Estimate: Permitted reduction*)

- (b) where the LCHA Counterparty confirms that an RCE-Adjusted Installed Capacity Estimate constitutes the Installed Capacity Estimate pursuant to Condition [●] (*Adjustment to Installed Capacity Estimate: Relevant Construction Event*), the LCHA Production Cap shall be equal to:

$$LCHAPC = \frac{AICE_{RCE,i} * LCHAPC_{i-1}}{ICE_{i-1}}$$

⁶⁷ Note to Reader: BEIS is considering how this £/MWh (HHV) figure will be determined.

⁶⁸ Note to Reader: BEIS is considering the parameters of the Sliding Scale Top Up. In particular, BEIS is considering the volume above which no support will be provided and the volume range in respect of which the cash-settled volume support will be provided, taking into account different production technologies, operating models and offtaker makeup.

⁶⁹ Note to Reader: BEIS is considering whether a reconciliation process will be required where a LCHA Production Cap adjustment occurs during a Fiscal Year.

where:

$LCHAPC$	=	the adjusted LCHA Production Cap (<i>MWh (HHV)</i>)
$AICE_{RCE,i}$	=	the adjusted Installed Capacity Estimate that will apply from Day (<i>i</i>) following the application of Condition [●] (<i>Adjustment to Installed Capacity Estimate: Relevant Construction Event</i>)
$LCHAPC_{i-1}$	=	the LCHA Production Cap that applied in Day (<i>i-1</i>) prior to the application of Condition [●] (<i>Adjustment to Installed Capacity Estimate: Relevant Construction Event</i>)
ICE_{i-1}	=	the Installed Capacity Estimate that applied in Day (<i>i-1</i>) prior to the application of Condition [●] (<i>Adjustment to Installed Capacity Estimate: Relevant Construction Event</i>)

(c) following the occurrence of the Start Date, the LCHA Production Cap shall be equal to:

$$LCHAPC = \frac{IC * LCHAPC_{i-1}}{ICE_{i-1}}$$

where:

$LCHAPC$	=	the adjusted LCHA Production Cap (<i>MWh (HHV)</i>)
IC	=	the Installed Capacity as at the [Start Date] ⁷⁰
$LCHAPC_{i-1}$	=	the LCHA Production Cap that applied in Day (<i>i-1</i>) prior to the Start Date
ICE_{i-1}	=	the Installed Capacity Estimate that applied in Day (<i>i-1</i>) prior to the Start Date

(d) where the LCHA Counterparty confirms the Final Installed Capacity pursuant to Condition [●] (*Final Installed Capacity; Maximum Contract Capacity*), the LCHA Production Cap shall be equal to:

$$LCHAPC = \frac{FIC * LCHAPC_{i-1}}{ICE_{i-1}}$$

where:

$LCHAPC$	=	the adjusted LCHA Production Cap (<i>MWh (HHV)</i>)
FIC	=	the Final Installed Capacity which is confirmed pursuant to Condition [●] (<i>Final Installed Capacity; Maximum Contract Capacity</i>)
$LCHAPC_{i-1}$	=	the LCHA Production Cap that applied in Day (<i>i-1</i>) prior to the date of the valid Final Installed Capacity Notice
ICE_{i-1}	=	the Installed Capacity Estimate that applied in Day (<i>i-1</i>) prior to date of the valid Final Installed Capacity Notice

⁷⁰

Note to Reader: This will be the Installed Capacity which the Producer has commissioned.

[Automatic Expiry]

10.2 Subject to Condition 10.3, if at any time during the Term:

$$TotalAggregateVolume \geq LCHAPC$$

where:

TotalAggregateVolume = the aggregate of all Metered H₂ Output (*MWh (HHV)*) and Excess Volume Adjustment Amounts for all Billing Periods from the Start Date

LCHAPC = LCHA Production Cap (*MWh (HHV)*)

then all additional Metered H₂ Output shall be deemed to be zero (0) and the LCHA [shall automatically expire].⁷¹

10.3 For the purpose of calculating the Total Aggregate Volume:

- (a) to the extent that the Metered H₂ Output for any Fiscal Year is less than the Annual Volume Floor for such Fiscal Year:
 - (i) the Metered H₂ Output for such Fiscal Year shall be deemed to be equal to the Annual Volume Floor for such Fiscal Year but only for the purposes of Condition 10.2; and
 - (ii) the Remaining Unused Annual Volumes for such Fiscal Year shall be deemed to be forfeited for the purposes of Condition 10.2; and
- (b) if the Metered H₂ Output exceeds the Permitted Annual Volume Cap in any Fiscal Year, the "**Excess Volume Adjustment Amount**" for such Fiscal Year shall be equal to the Metered H₂ Output which exceeds the Permitted Annual Volume Cap in case for such Fiscal Year (the "**Excess Volumes**") multiplied by fifty per cent. (50%).

Annual Volume Cap

10.4 With effect from the Start Date, the Producer undertakes to the LCHA Counterparty that, for each Fiscal Year, the Metered H₂ Output shall not exceed the Permitted Annual Volume Cap (the "**Permitted Annual Volume Cap Obligation**").⁷²

10.5 The "**Permitted Annual Volume Cap**" (*expressed in MWh (HHV)*) that applies in each Fiscal Year shall be equal to the Annual Volume Cap multiplied by one hundred and twenty five per cent. (125%).

10.6 If the Metered H₂ Output exceeds the Permitted Annual Volume Cap in any Fiscal Year:

- (a) a "**Permitted Annual Volume Cap Obligation Breach**" will be deemed to have occurred;⁷³ and

⁷¹ Note to Reader: Expiry will occur on a no liability basis (see items 2.1 and 4.5 in Section B of the LCHA HoTs published on 16 December 2022).

⁷² Note to Reader: Further drafting will be required in order to pro-rate the Permitted Annual Volume Cap, including i) in the first and last part-Fiscal Years in the Term and ii) where the Annual Volume Cap is amended part-way through a Fiscal Year as a result of an adjustment to the LCHA Production Cap pursuant to Condition 10.1.

⁷³ Note to Reader: If the Producer breaches the Permitted Annual Volume Cap in two (2) consecutive or non-consecutive Fiscal Years, the LCHA Counterparty will have the right to terminate the LCHA (see items 3.4 and 4.5 in Section B of the LCHA HoTs published on 16 December 2022).

- (b) all Excess Volumes shall be deemed to be Non-Qualifying Volumes [for the purpose of calculating the Difference Amount].

11. STRIKE PRICE INDEXATION ADJUSTMENT

Indexation for Electrolytic Facilities⁷⁴

- 11.1 For Electrolytic Facilities only, the LCHA Counterparty shall calculate an indexation adjustment to the Strike Price during the Strike Price Adjustment Calculation Period in each calendar year of the Term (each such adjustment, an "**Indexation Adjustment**").
- 11.2 Each Indexation Adjustment shall:
- (a) become effective on 1 April in the calendar year in which the Indexation Adjustment is calculated (each such date, an "**Indexation Anniversary**") and shall apply for each Billing Period in the Fiscal Year starting on the Indexation Anniversary; and
- (b) use the CPI for January of the relevant calendar year save where the CPI for January is not published by 1 April in such calendar year, in which case the Reference CPI shall be used.
- 11.3 The Strike Price which is to apply in each Billing Period (*m*) with effect from each Indexation Anniversary as a result of the Indexation Adjustment shall be calculated in accordance with the following formula:

$$SP_m = ((SP_{base} + ADJ_i^{base}) * \Pi_i)$$

SP_m = Strike Price (£/MWh (HHV)) that applies in each Billing Period (*m*) with effect from each Indexation Anniversary

SP_{base} = Initial Electrolytic Strike Price (£/MWh (HHV))

ADJ_i^{base} = sum of the Strike Price Adjustments applicable to Day (*i*) (other than any adjustment pursuant to Condition 11.1 (*Indexation for Electrolytic Facilities*)) occurring immediately prior to the relevant Indexation Anniversary, expressed in Base Year Terms

Π_i = Inflation Factor applicable to a Day (*i*)

Day (*i*) = the first calendar day of the relevant Billing Period (*m*)

- 11.4 The LCHA Counterparty shall notify the Producer of the revised Strike Price no later than five (5) Business Days after each Indexation Anniversary.

Indexation for CCUS-Enabled Facilities⁷⁵

- 11.5 For CCUS-Enabled Facilities only, the LCHA Counterparty shall calculate an indexation adjustment to the Strike Price:
- (a) in respect of the Non-Gas Strike Price, during the Strike Price Adjustment Calculation Period in each calendar year of the Term (each such adjustment, a "**Non-Gas Indexation Adjustment**"), with each such Non-Gas Indexation Adjustment to:

⁷⁴ Note to Reader: This Condition is subject to further review by BEIS.

⁷⁵ Note to Reader: This Condition is subject to further review by BEIS.

- (i) become effective on 1 April in the calendar year in which the Non-Gas Indexation Adjustment is calculated (each such date, a "**Non-Gas Indexation Anniversary**"); and
- (ii) use the CPI for January of the relevant calendar year save where the CPI for January is not published by 1 April in such calendar year, in which case the Reference CPI shall be used; and
- (b) in respect of the Natural Gas Strike Price, for each Billing Period in the Payment Period (each such adjustment, a "**Natural Gas Indexation Adjustment**"), with each such Natural Gas Indexation Adjustment to use the Gas Reference Price for the relevant Billing Period.
- 11.6 The Strike Price which is to apply in each Billing Period (m) as a result of the Non-Gas Indexation Adjustment and the Natural Gas Indexation Adjustment shall be calculated in accordance with the following formula:

$$SP_m = SP_{NonG,m} + SP_{G,m}$$

SP_m = Strike Price (£/MWh (HHV)) that applies in each Billing Period (m)

$SP_{NonG,m}$ = Non-Gas Strike Price (£/MWh (HHV)) that applies in each Billing Period (m) with effect from each Non-Gas Indexation Anniversary

$SP_{G,m}$ = Natural Gas Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)

- 11.7 The Non-Gas Strike Price which is to apply in each Billing Period (m) with effect from each Non-Gas Indexation Anniversary as a result of the Non-Gas Indexation Adjustment shall be calculated in accordance with the following formula:

$$SP_{NonG,m} = (SP_{NonG,base} + ADJ_{ING,i}^{base}) * \Pi_i$$

$SP_{NonG,m}$ = Non-Gas Strike Price (£/MWh (HHV)) that applies in each Billing Period (m) with effect from each Non-Gas Indexation Anniversary

$SP_{NonG,base}$ = Initial Non-Gas Strike Price (£/MWh (HHV))

$ADJ_{ING,i}^{base}$ = sum of the Non-Gas Strike Price Adjustments applicable to Day (i) (other than any adjustment pursuant to Condition 11.5(a) (*Indexation for CCUS-Enabled Facilities*) occurring immediately prior to the relevant Non-Gas Indexation Anniversary, expressed in Base Year Terms

Π_i = Inflation Factor applicable to a Day (i)

Day (i) = the first calendar day of the relevant Billing Period (m)

- 11.8 The LCHA Counterparty shall notify the Producer of the revised Non-Gas Strike Price no later than five (5) Business Days after each Non-Gas Indexation Anniversary.

- 11.9 The "**Natural Gas Strike Price**" which is to apply in each Billing Period (m) as a result of the Natural Gas Indexation Adjustment shall be calculated in accordance with the following formula:

$$SP_{G,m} = NGCM * GRP_m$$

$SP_{G,m}$	=	Natural Gas Strike Price (£/MWh (HHV)) that applies in the relevant Billing Period (m)
$NGCM$	=	Natural Gas Cost Multiplier
GRP_m	=	Gas Reference Price (£/MWh (HHV)) in the relevant Billing Period (m)

12. CO₂ T&S OUTAGE RELIEF EVENTS⁷⁶

12.1 The Producer shall give the LCHA Counterparty a notice promptly following the occurrence of a CO₂ T&S Outage Relief Event (a "**CO₂ T&S Outage Relief Event Notice**"). A CO₂ T&S Outage Relief Event Notice shall:

- (a) specify the Day(s) on which the CO₂ T&S Outage Relief Event occurred (a "**CO₂ T&S Outage Relief Event Day**") within the relevant Billing Period(s) (a "**CO₂ T&S Outage Relief Event Billing Period**");
- (b) describe the CO₂ T&S Outage Relief Event (including the impact, if any, of the CO₂ T&S Outage Relief Event on the Producer's ability to produce Metered H₂ Output which complies with the LCHS⁷⁷);
- (c) include evidence relating to the CO₂ T&S Outage Relief Event from the relevant CO₂ T&S Operator;
- (d) include such Supporting Information as the Producer considers to be relevant to the CO₂ T&S Outage Relief Event (including the impact, if any, on the Producer's ability to produce Metered H₂ Output which complies with the LCHS⁷⁸); and
- (e) include details of the steps that the Producer has taken and/or proposes to take to mitigate the effect of the relevant CO₂ T&S Outage Relief Event.

12.2 Each CO₂ T&S Outage Relief Event Notice shall be accompanied by a Directors' Certificate in relation to the information contained in, and enclosed with, the CO₂ T&S Outage Relief Event Notice.

12.3 The LCHA Counterparty shall, no later than ten (10) Business Days after receipt of a CO₂ T&S Outage Relief Event Notice, give a notice to the Producer (a "**CO₂ T&S Outage Relief Event Response Notice**"). A CO₂ T&S Outage Relief Event Response Notice shall specify whether the LCHA Counterparty considers that:

- (a) the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Notice relates has or has not occurred; or
- (b) it has not been provided with sufficient Supporting Information to determine whether the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Response

⁷⁶ Note to Reader: The following provisions have been based on the equivalent provisions set out in the Industrial Carbon Capture Contract published by BEIS on [16] December 2022. These provisions will require further review, and may require amendment, as the HPBM and LCHA (including the billing and payment section) develop. As stated above in relation to the relevant definitions in this Part 4, BEIS intends to pro-rate all CO₂ T&S charges that the LCHA Counterparty pays the Producer based on the ratio of Qualifying Volumes to total Metered H₂ Output in the relevant period. BEIS is still considering the frequency of, and the trigger for, all such payments.

⁷⁷ Note to Reader: The wording in this Condition is subject to further review by BEIS.

⁷⁸ Note to Reader: The wording in this Condition is subject to further review by BEIS.

Notice relates has occurred and, if so, details of the additional Supporting Information which the LCHA Counterparty requires to determine whether the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Notice relates has occurred (the "**CO₂ T&S Outage Relief Event Supporting Information**").

12.4 If the LCHA Counterparty states in the CO₂ T&S Outage Relief Event Response Notice that:

- (a) the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Response Notice relates has occurred, then a CO₂ T&S Outage Relief Event will be deemed to have occurred for the purposes of the LCHA;
- (b) the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Response Notice relates has not occurred, then a CO₂ T&S Outage Relief Event will be deemed not to have occurred for the purposes of the LCHA unless and until a resolution or determination to the contrary is made pursuant to the Expert Determination Procedure; or
- (c) the Producer has not provided the LCHA Counterparty with sufficient Supporting Information to determine whether the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Response Notice relates has occurred then:
 - (i) the Producer shall provide the CO₂ T&S Outage Relief Event Supporting Information as soon as reasonably practicable, and in any event no later than ten (10) Business Days after receipt of the CO₂ T&S Outage Relief Event Response Notice, or such longer period as is specified by the LCHA Counterparty; and
 - (ii) upon receipt of the CO₂ T&S Outage Relief Event Supporting Information, the LCHA Counterparty shall, as soon as reasonably practicable and in any event no later than ten (10) Business Days after receipt of such CO₂ T&S Outage Relief Event Supporting Information, give a further CO₂ T&S Outage Relief Event Response Notice to the Producer (a "**Further CO₂ T&S Outage Relief Event Response Notice**"). A Further CO₂ T&S Outage Relief Event Response Notice shall specify whether the LCHA Counterparty considers that the CO₂ T&S Outage Relief Event to which the CO₂ T&S Outage Relief Event Response Notice relates has or has not occurred.

12.5 If a CO₂ T&S Outage Relief Event is deemed to have occurred during a CO₂ T&S Outage Relief Event Billing Period in accordance with Condition 12.4(a) or 12.4(c)(ii):

- (a) the requirement to comply with the LCHS shall be waived in respect of the Daily Metered H₂ Output for each CO₂ T&S Outage Relief Event Day in the relevant CO₂ T&S Outage Relief Event Billing Period for the purposes of the definition of "Qualifying Volume";⁷⁹
- (b) the CO₂ T&S Outage Relief Event Strike Price Deduction shall apply for each applicable CO₂ T&S Outage Relief Event Day in the relevant CO₂ T&S Outage Relief Event Billing Period for the purpose of calculating the "**CO₂ T&S Outage Relief Event Strike Price Deduction Amount**" for such Billing Period, which shall be calculated as follows:

$$CO_2\ T\&S_DA_m = CO_2\ T\&S_D_m * \sum_{i=1}^n Volume_{Q0,waiver,i,m}$$

where:

⁷⁹ Note to Reader: The wording in this Condition is subject to further review by BEIS.

- $CO_2 T\&S_DA_m$ = CO₂ T&S Outage Relief Event Strike Price Deduction Amount (£) for the relevant CO₂ T&S Outage Relief Event Billing Period (m);
- $CO_2 T\&S_D_m$ = CO₂ T&S Outage Relief Event Strike Price Deduction (£/MWh (HHV)) that applies in the relevant CO₂ T&S Outage Relief Event Billing Period (m);
- $\sum_{i=1}^n Volume_{QO,Waiver,i,m}$ = sum of the Daily Metered H₂ Output which is purchased by a Qualifying Offtaker(s) (MWh (HHV)) and in respect of which a waiver of the requirement to comply with the LCHS applies (pursuant to Condition 12.5(a)) and which is not a RTFO Volume in each applicable CO₂ T&S Outage Relief Event Day (i) in the relevant CO₂ T&S Outage Relief Event Billing Period (m);
- n = number of CO₂ T&S Outage Relief Event Days (i) in the relevant CO₂ T&S Outage Relief Event Billing Period (m); and
- (c) the CO₂ T&S Outage Relief Event Strike Price Deduction Amount for such CO₂ T&S Outage Relief Event Billing Period shall be included in the Billing Statement which is next issued by the LCHA Counterparty to the Producer.⁸⁰

13. CO₂ T&S CHARGES AMOUNT

CO₂ T&S Charges Amount calculation⁸¹

- 13.1 The CO₂ T&S charges amount for each Billing Period during the Payment Period (the "**Monthly CO₂ T&S Charges Amount**") shall be calculated in accordance with the following formula:

$$CO_2 T\&S_m = QVA_m * \sum_{i=1}^n CO_2 T\&S_{i,m}$$

where:

- $CO_2 T\&S_m$ = Monthly CO₂ T&S Charges Amount (£) for the relevant Billing Period (m)
- QVA_m = Qualifying Volume Adjustment [*that will be linked to the proportion of Qualifying Volumes to total Metered H₂ Output in the relevant Billing Period*]⁸²
- $CO_2 T\&S_{i,m}$ = CO₂ T&S Charges Amount (£) for each Day (i) in the relevant Billing Period (m)

⁸⁰ Note to Reader: BEIS is considering how to adapt this drafting so that it aligns with the process pursuant to which the Producer will be required to match Metered H₂ Output consignments with CO₂ emissions data for the purposes of demonstrating LCHS compliance (which is still to be developed).

⁸¹ Note to Reader: This Condition is subject to further development as the CO₂ T&S business model is developed. BEIS intends to pro-rate all CO₂ T&S charges that the LCHA Counterparty pays the Producer based on the ratio of Qualifying Volumes to total Metered H₂ Output in the relevant period. BEIS is still considering the frequency of, and the trigger for, all such payments.

⁸² Note to Reader: As stated above in relation to the relevant definitions in this Part 4, BEIS intends to pro-rate all CO₂ T&S charges that the LCHA Counterparty pays the Producer based on the ratio of Qualifying Volumes to total Metered H₂ Output in the relevant period.

n = number of Days (i) in the relevant Billing Period (m)

13.2 The CO₂ T&S Charges Amount for each Day (i) during the Term ("**CO₂ T&S Charges Amount**") shall be calculated in accordance with the following formula:

$$CO_2 T\&S_i = CO_2 TSNC_i + CO_2 TSFC_i + CO_2 TSCC_i$$

where:

$CO_2 T\&S_i$ = CO₂ T&S Charges Amount (£) for each Day (i)

$CO_2 TSNC_i$ CO₂ T&S Network Charge (£) for each Day (i)

$CO_2 TSFC_i$ CO₂ T&S Flow Charge (£) for each Day (i)

$CO_2 TSCC_i$ CO₂ T&S Capacity Charge (£) for each Day (i)

provided that if there is a CO₂ T&S Commissioning Delay Event then:

- (a) the CO₂ T&S Capacity Charge, the CO₂ T&S Flow Charge and the CO₂ T&S Network Charge shall not be payable by the LCHA Counterparty to the Producer, until the CO₂ T&S Commissioning Delay Event has ceased and the relevant CO₂ T&S Network is commissioned; and
- (b) the CO₂ T&S Capacity Charge, the CO₂ T&S Flow Charge and the CO₂ T&S Network Charge shall be deemed to be zero (0) during any period in which there is a CO₂ T&S Commissioning Delay Event.