



Department for
Business, Energy
& Industrial Strategy

Low Carbon Hydrogen Supply 2 Competition: Guidance Notes Q&A

An SBRI Competition

Stream 1: TRN 5044/04/2021

Stream 2: TRN 5045/04/2021

Version 1

NOT FOR PUBLICATION



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Low Carbon Hydrogen Supply 2 Competition: Guidance Notes Question and Answer (Q&A)

This Q&A covers answers to questions submitted to the BEIS NZIP Hydrogen Team (nzip.hydrogen@beis.gov.uk) up until 12 noon BST, 12 July 2021. The questions submitted via email, which in our judgement were of material significance have been addressed and published in this document. Questions submitted after this date may not be answered.

Further details are provided in the Low Carbon Hydrogen Supply 2 Invitation to Tender (ITT)/Guidance Notes documents for Stream 1 and Stream 2 which are available on the competition [webpage](#). Please read the answers in conjunction with the respective ITTs and the previous Stakeholder Engagement Day Q&A document, also available on the competition webpage.

The numbering of the questions in this document continues from the previous Stakeholder Engagement Day Q&A document published on 22 June 2021.

The following questions apply to both streams (Stream 1 and Stream 2) of the competition, unless stated otherwise.

Abbreviations

TRL	Technology Readiness Level
ITT	Invitation to Tender
NZIP	Net Zero Innovation Portfolio
SMR	Steam Methane Reformer
SBRI	Small Business Research Initiative
HYS2	Low Carbon Hydrogen Supply 2
BEIS	Department for Business, Energy & Industrial Strategy
CAPEX	Capital Expenditure
SOE	Solid Oxide Electrolyser
PEM	Polymer Electrolyte Membrane
OEM	Original Equipment Manufacturer
NOx	Nitrogen Oxides
GDPR	General Data Protection Regulation
T&Cs	Terms & Conditions

Section 1: Eligibility for Funding

47. We are a technology developer and have a project that we feel might be in scope. How can we confirm if our technology is in scope and if we are eligible?

Applications to Stream 1 Phase 1 must be in scope of the technology categories outlined in Section 2 of the Stream 1 ITT document. Please note that this is an innovation competition supporting the development of novel hydrogen supply solutions (TRL 4-6). For further information on eligibility, please refer to Section 4 of the Low Carbon Hydrogen Supply 2 Stream 1 ITT document.

Applications to Stream 2 must be in scope of the technology themes outlined in Section 2 of the Stream 2 ITT document. Please note that this is an innovation competition supporting the development of novel hydrogen supply solutions (TRL 6/7). For further information on eligibility, please refer to Section 4 of the Low Carbon Hydrogen Supply 2 Stream 2 ITT document.

You can find the ITT documents on the competition webpage.

Technologies where the core technology has previously been operated commercially (in the UK or Internationally) are excluded.

48. Are technology companies that are based outside of the UK able to participate, or will the company need to register in the UK to participate?

At least 50% of the work (on a cost basis) needs to be carried out in the UK.

However, the competition is open to all organisations, irrespective of where they are based. Non-UK based organisations can lead a project.

Additionally as part of Criterion 3 (see Section 7 of the ITT) applicants are required to explain how the project would create UK job/skills, support a resilient UK supply chain and provide export opportunities.

Please note if successful all organisations will be required to provide appropriate financial information about their organisation in order to pass due diligence.

49. Is a project that is focused on building and developing a renewable energy facility to produce and sell green hydrogen considered innovative (either technically or commercially) and if so, eligible for your competition?

The Low Carbon Hydrogen Supply 2 competition is an SBRI competition which is a form of pre-commercial procurement. The competition primarily aims to fund pre-commercial innovative technologies.

It is not a requirement for the hydrogen produced to be used, selling hydrogen for profit would be in breach of the terms of the SBRI agreement, for the duration of the contract. Please refer to the ITT for further details.

50. How specific are you with the TRL levels of potential innovative technologies?

It is for the applicant to decide and provide evidence to support their selected TRL level for their technology. Please ensure that your technology meets the criteria required at the selected TRL level. Definitions of TRL levels are provided in the respective Guidance Notes/ITTs (Appendix 1).

For Stream 1 Phase 1 competition, technologies being developed must be between TRL levels 4 to 6 and for Stream 2 competition, technologies being developed must be at TRL levels 6 or 7 at the start of the project.

51. For Stream 2, would it be possible to use the funding provided to modify and build upon our existing asset? (Stream 2 only)

The HYS2 competition could support the development and demonstration of innovative hydrogen supply technologies that build on an existing asset but will not fund 'business as usual' modifications on an already existing asset.

52. For Stream 2, is it acceptable to conduct engineering design initially and then focus on testing the technology to demonstrate? (Stream 2 only)

Applicants can structure their project as they prefer; however, they must define/describe the demonstration project they plan to carry out including specifying costs within the contract timelines as part of their application.

53. We are developing an innovative technology that produces hydrogen but not at the purity shown in the boundary conditions stated in Appendix 2 of the Stream 2 Guidance Notes, though it has the capability to be adapted in the future to produce purer hydrogen. Is my technology eligible for funding? (Stream 2 only)

Projects are required to describe how they can meet the boundary conditions; however, it is not a requirement to include trialling the hydrogen purity process as part of the demonstration. The Guidance Note states that if a different (justifiable) set of boundary conditions are more representative for your hydrogen supply technology can also be included. Please refer to Section 7 of the Stream 2 competition Guidance Notes/ITT for further information on the Assessment Criteria.

54. Can industry convert their process from using natural gas as a fuel source to hydrogen with oxygen for improved burning efficiency/lowering NOx? Is this eligible for funding?

This competition will not fund end use applications including trials of burning hydrogen and oxygen. This is a hydrogen supply competition, this project may be more suited to future competitions focussing on end use, such as the Industrial Fuel Switching 2 competition.

55. For this fund, would a feasibility study qualify, if the technology fits within the scope but there is no demonstrator to build? (Stream 1 only)

An application to the Stream 1 Phase 1 competition must include a demonstration to be carried out in Phase 2.

56. Do Solid Oxide Electrolysers (SOE) qualify as innovative and fit within this fund? Does hydrogen production (over 10 MW) using PEM electrolysers qualify as innovative?

Innovative SOE and PEM electrolysers are in scope. However, please note that this competition will only support demonstration projects where the core technology being developed is innovative and has not been previously operated widely or in a commercial environment.

57. Is a technology that recovers, purifies and recycles hydrogen at the point of use from industrial processes that would otherwise be used in a single pass mode and disposed of, be in scope?

Yes, Category 1 will support Industry-derived hydrogen projects.

58. Is there a requirement for the lead organisation to be in business (trading) for at least 3 months prior to applying for this competition?

The competition does not assess applications based on company registration date. If there are no published financial accounts due to the age of the organisation we will look for evidence of how the company is able to provide working capital to stay afloat while delivering the project and pay suppliers and staff. This could be a combination of investments or parent company guarantees, if applicable.

59. In Stream 1 and Stream 2, Eligibility Criteria 5 states that "Projects can only be funded where evidence can be provided that innovation would not be taken forwards (or would progress at a much slower rate) without public sector funding". What type of evidence would better support our application?

It is for the applicants to decide on how best to justify why their project requires BEIS funding to make progress. Please refer to Section 3 of the respective ITTs for further information on this.

Section 2: Application Process

60. In the application, there is a question that asks: "Have you applied, or are you planning to apply, for any other government funding for this project?". Will applicants be marked down if they have applied for funding for the same work twice? What if part of the work is covered by another application, but there is a lot of it that is not?

Applications submitted to the Low Carbon Hydrogen Supply 2 competition will be assessed on the Criteria described in Section 7. The application question mentioned above is designed to

ensure that projects are not double funded should a project be selected for funding across multiple government competitions.

Successful project teams must ensure that no work is double funded.

For information on submitting multiple applications to the HYS2 competition, please see Sections 3 and 4 of the respective ITTs (Stream 1 and Stream 2).

61. My non-profit organisation was formed recently, and it does not have Economic or Financial Standing records. Would it be more beneficial for the application in terms of selection if our consortium partner was the lead applicant? Can a newly formed university spin-off lead an application in Stream 1 Phase 1?

BEIS will undertake financial viability checks on all successful applications. Please refer to Section 8 of the respective ITTs. It is up to the applicant to decide on the approach that is best suited to their proposal when submitting their application. If there are no published financial accounts due to the age of the organisation we will look for evidence of how the company is able to provide working capital to stay afloat while delivering the project and pay suppliers and staff. This could be a combination of investments or parent company guarantees, if applicable.

62. Can a lead applicant change to a member of the consortium they applied with part way through the process?

Please refer to Section 3 of the respective ITTs.

63. Can I form part of two consortiums, (not in the lead position) for Stream 1 Phase 1 under Category 2? (Stream 1 only)

An applicant can be part of multiple bids to Stream 1 Phase 1 competition under Category 2 as long as they are not the lead organisation. Please refer to Section 3 of the Stream 1 Guidance Notes for further information on multiple bids.

A technology provider/OEM are limited to one application for a particular technology requiring development per Category. Please refer to Section 3 of the Stream 1 Guidance Notes for further information on multiple bids.

64. We would like to submit two proposals for two separate technologies. We understand that a lead organisation cannot submit two proposals into the same category, but does this hold true if it is for two separate hydrogen supply technologies? (Stream 1 only)

A lead organisation can only submit one application per category in the Stream 1 Phase 1 competition.

65. In Stream 1, the Assessment Criterion 4b “Value for money to HM Government” states that “As part of the assessment process for Phase 1, project teams will be asked to clearly state where cost savings are being provided compared to exclusive

development contracts”. Would self-financing part of the project costs be considered as such savings?

BEIS must fund 100% of eligible costs up to the maximum available (Phase 1 £300k Phase 2 £6m; Stream 2 £10m). BEIS are unable to fund projects that request above the maximum available, in this instance it is necessary for the applicant to find savings within the project to ensure the project does not exceed the maximum before submitting their application.

Section 3: Commercial

66. What are the requirements for risk-sharing within the SBRI framework?

SBRI's allow BEIS to fully fund a project. The contractor is required to take the risk of delivering the agreed deliverables against the funding milestones agreed at the contract award stage. The price bid for delivery of the contract and agreed at award stage will act as a price cap for the project. Only actual invoiced costs will be paid for by BEIS, subject to eligibility discussed in Appendix 2 of the Stream 1 Guidance Notes and Appendix 3 of the Stream 2 competition Guidance Notes. Awardees must be aware that BEIS expects the project scope to be delivered at or below the agreed amount of awarded funding and that the awardee takes the risks of any cost overruns on this basis.

Risk-benefit sharing is discussed in Section 4 of the competition Guidance Notes for Stream 1 and Stream 2.

67. Are the CAPEX costs for the project to be included at 100% purchase cost or should they be calculated from depreciation and usage?

Projects must not include profit, therefore BEIS will only pay for the depreciation and usage of fixed capital items, it is up to the applicant to justify the rate of depreciation. Applicants must only request funding for eligible costs. Please refer to Appendix 2 of the Stream 1 Guidance Notes and Appendix 3 of the Stream 2 Guidance Notes for further information on the Eligible costs.

68. How is liability expected to be managed by consortium bids?

The lead organisation must sign up to the T&Cs including the liability requirements. How the consortium manages the liability requirement commitments that the lead organisation makes on its behalf is the responsibility of the consortium. Usually, the consortium would have a consortium arrangement in place and through that agreement issues such as liability would be managed between the members (this is not the same as a sub-contract arrangement).

Please refer to Section 3 of the respective ITTs.

69. Do you expect a lead organisation to sign the contract i.e. only one organisation on behalf of others in the consortium?

Yes, the lead organisation will sign the contract on behalf of the consortium.

70. On page 94 of the Guidance Notes for Stream 1 and 97 of the Guidance Notes for Stream 2 it refers to Condition 31(15) - should it instead read Condition 31(16)?

Yes, this correction will be made to the ITTs.

71. To complete our feasibility study we will need to recruit team members and expand our premises, so it is not possible to give specific salary costs at this stage, as requested in the application process. Is it acceptable to tender with projected labour costs at £X/hour plus Y% overheads?

This approach is acceptable as long as applicants provide evidence of similar actual salaries they are paying or industry averages for the role being recruited.

Section 4: Miscellaneous

72. Where can I access the registration and application forms for Stream 1 Phase 1 and Stream 2 competitions?

The registration and application forms are available on the competition [webpage](#) under the Documents section. You will need to register to the competition to gain access to the respective application forms. For Stream 1 Phase 1, you must register by 12 noon BST, 2 August 2021 and submit your application by 12 noon BST, 9 August 2021. For Stream 2, you must register by 12 noon, BST 23 August 2021 and submit your application by 12 noon BST, 31 August 2021.

73. I haven't finalised my project and consortium, can I still register?

Yes, you are able to register before you have finalised your project plans and/or your consortium.

74. Further to submitting the registration form, I have not received the password to the online application form. Where might I find the password?

The password will be sent to you via an automated email once you have submitted the registration form. Please check your junk email folder if it is not in your email inbox. You may search for an email from Smart Survey. The password will also be displayed to you in the browser window following submission of the registration form.

If you still have issues gaining access to the application forms following registration, please contact nzip.hydrogen@beis.gov.uk to raise your query.

75. Is the application form available in Word format so we can complete it and review it ahead of completing the online form?

Yes, you can download the Word version of the application forms from the title/landing page of the online application forms.

For the Word version of the Stream 1 Phase 1 application form, please access the Stream 1 Phase 1 online application form. For the Word version of the Stream 2 application form, please access the Stream 2 online application form.

You can access both application forms on our competition [webpage](#). You must register to the respective competitions using the registration forms to receive the password for its online application form.

76. To comply with our GDPR policy, can we provide personnel information anonymously within the Project Cost Breakdown spreadsheet?

It is up to the applicant to decide on the approach that is best suited to their proposal when submitting their application. However, please note that Criterion 5a of the Stream 1 Phase 1 Assessment Criteria (Section 7 in Guidance Notes) and Criterion 5b of the Stream 2 Assessment Criteria (Section 7 in Guidance Notes) requires applicants to provide brief CVs of lead individuals within the project team and details of the relevant skills, qualifications, and experience of main project team members. Additionally, as part of Criterion 4 the applicant will also be expected to provide details on how much each team member is being paid and BEIS will make a judgement on whether that pay is reasonable for that role. These submissions will be assessed and scored, as described in Section 7.

77. What is the difference between the Longer Duration Energy Storage Demonstration competition and the Low Carbon Hydrogen Supply 2 competition?

The Longer Duration Energy Storage Demonstration and the Low Carbon Hydrogen Supply 2 competitions are two separate funding opportunities, which entail two separate application processes.

There is some overlap in the scope of the two competitions, however the objectives for the competitions are different, and so successful applications are expected to have a different focus. Please refer to the respective ITTs and competition guidance for details. This competition, Low Carbon Hydrogen Supply 2, focusses on innovation and requires that the core technology has not previously operated widely or in a commercial setting.

The Longer Duration Energy Storage Demonstration competition does not include this stipulation, as it aims to accelerate the commercialisation of innovative technologies by supporting technologies from TRL 4 to 7 through both contracts and grants. Additionally, the Power-X technology category of the Longer Duration Energy Storage Demonstration competition requires applicants to be able to produce, storage and utilise or supply hydrogen or other energy carriers, whereas utilisation is out of scope for the Low Carbon Hydrogen Supply 2 competition. Further details on the Longer Duration Energy Storage Demonstration competition can be found on gov.uk.

Applicants who are considering applying to both competitions for similar projects are advised to contact BEIS nzip.hydrogen@beis.gov.uk. If an applicant successfully applies for both competitions, they will only be funded by one of the competitions.

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