

LOW CARBON HYDROGEN AGREEMENT

Key Terms Summary Document

16 December 2024

Background

This summary document was prepared by the Department for Energy Security and Net Zero ("**DESNZ**") to accompany the low carbon hydrogen agreement, Hydrogen Allocation Round 1 ("**HAR1**") version (the "**Low Carbon Hydrogen Agreement**" also referred to as the "**LCHA**"). This document has been prepared to provide a summary of the key LCHA terms applicable to HAR1 projects, and does not constitute definitive drafting of the LCHA's terms or seek to summarise any specific provisions that would only be applicable to (a) CCUS-enabled hydrogen projects or (b) specific HAR1 projects by virtue of any modifications contained within their relevant Front End Agreement.

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

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

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

SECTION A – FRONT END AGREEMENT

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| 1. | Overview | <p>The LCHA comprises two parts: (i) the front end agreement and (ii) the standard terms and conditions.</p> <p>The front end agreement is a bespoke document that will contain project-specific information relating to each Producer, including particulars of the Facility and the Producer to which the relevant LCHA applies.</p> <p>The standard terms and conditions are a set of contractual terms governing matters which are applicable to all LCHAs, unless otherwise specified in the front end agreement.</p> |

SECTION B – STANDARD TERMS AND CONDITIONS

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| 1. | Parties | The parties to the LCHA are the LCHA Counterparty and the Producer (each, a "Party" and together the "Parties"). The LCCC is the LCHA Counterparty. |
| 2. | Term, Conditions Precedent and Milestone Requirement (Parts 2 and 3) | |
| 2.1 | Term and Specified Expiry Date (Condition 2) | <p>The LCHA term will commence on the Agreement Date and end on the Specified Expiry Date (being the fifteenth (15th) anniversary of the earlier of the Start Date and the last day of the Target Commissioning Window of twelve (12) months). The Target Commissioning Window will be adjusted day-for-day for any delays that occur due to Force Majeure and, where applicable, for delays by the relevant authority in establishing an electricity grid connection and/or a water connection.</p> <p>Therefore, if the Producer fails to commission the Facility by the end of the Target Commissioning Window, the term of the LCHA will commence and the fifteen (15) year term will start to erode. However, payments under the LCHA will not commence unless and until the Start Date occurs.</p> <p>Notwithstanding the above position, the LCHA will expire on the earlier of:</p> <ul style="list-style-type: none"> (a) the Specified Expiry Date; and (b) the date when the Total Accrued Volumes are equal or are deemed to be equal to the LCHA Sales Cap (see item 4.12 (<i>LCHA Sales Cap and Annual Sales Cap</i>)), <p>unless the LCHA is terminated earlier in accordance with its terms (see item 7 (<i>Termination and Consequences of Termination</i>)).</p> |
| 2.2 | Initial Conditions Precedent | The LCHA includes two sets of conditions precedent, the Initial Conditions Precedent and the Operational Conditions Precedent. |

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| | (Condition 3 and Annex 1 Part A) | <p>The Initial Conditions Precedent provisions require the Producer to satisfy certain legal, technical and regulatory requirements and conditions relating to the LCHA as soon as reasonably practicable and in any event by no later than twenty (20) Business Days after the Agreement Date (other than for any Initial Conditions Precedent that may be waived by the LCHA Counterparty, in its absolute discretion). These conditions, which will need to be evidenced in a form and content satisfactory to the LCHA Counterparty, include:</p> <ul style="list-style-type: none"> <li data-bbox="643 600 1423 831">(a) a legal opinion addressed to the LCHA Counterparty from the Producer's legal advisers confirming that the Producer: (i) is duly formed and validly existing under the law of the jurisdiction of formation; and (ii) has the power to enter into and perform, and has taken all necessary action to authorise its entry into and performance of, the LCHA and the other LCHA Documents; <li data-bbox="643 864 1423 1025">(b) evidence of compliance by the Producer with "know your customer" or similar identification procedures or checks under all applicable laws and regulations pursuant to the transactions contemplated by the LCHA and the other LCHA Documents; <li data-bbox="643 1059 1423 1323">(c) the Facility description (including: (i) details of the assets comprising the Hydrogen Production Plant; (ii) an aerial view of the unique geographical location of the Hydrogen Production Plant; (iii) a process flow diagram of the Hydrogen Production Plant; and, if applicable (iv) a description of any Hydrogen Storage Infrastructure, Hydrogen Transport Infrastructure and UKLCH Electricity Storage System); <li data-bbox="643 1357 1423 1588">(d) a description of: (i) the Site, including an aerial view of the unique geographical location of the Site showing the proposed locations of the Measurement Points; and, if applicable (ii) any On-site Non-UKLCH Storage, Off-site Non-UKLCH Storage, Non-UKLCH Transport Infrastructure, and Non-UKLCH Electricity Storage System; <li data-bbox="643 1621 1423 1852">(e) the Producer's entry into certain key project documents, including Applicable Connection Documents and, if applicable, the NZHF Grant Funding Agreement. This also includes evidence that the Producer has obtained Applicable Planning Consents for the Facility and associated infrastructure, with the challenge period having expired with no challenge being brought (or any |

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| | | <p>challenge having been unsuccessful with no further rights of appeal)¹;</p> <p>(f) the Producer's: (i) certificate of incorporation (if applicable); (ii) most recent annual return (where available); and (iii) VAT certificate of registration;</p> <p>(g) a copy of the resolution of the Producer's board of directors approving the terms of and the transactions contemplated by the LCHA and resolving that the Producer executes, delivers and performs the LCHA; and</p> <p>(h) a declaration by the Producer that it is: (i) not in receipt of any other scheme of funding by a Government Entity and/or public authority of a country or territory outside the United Kingdom; or (ii) in receipt of another scheme of funding by a Government Entity and/or public authority of a country or territory outside the United Kingdom and/or any other Approved Scheme of Funding, together with Supporting Information.</p> |
| 2.3 | Milestone Requirement (Condition 4) | <p>Following the satisfaction (or waiver, in the LCHA Counterparty's absolute discretion) of the Initial Conditions Precedent, the Producer must satisfy the Milestone Requirement. The Milestone Requirement requires the Producer to evidence by the Milestone Delivery Date, either:</p> <p>(a) actual spend of a minimum of ten per cent (10%) of the Total Project Pre-Commissioning Costs (the evidence for which will include invoices, payment receipts and other Supporting Information necessary to demonstrate that those costs have been incurred in relation to the Project); or</p> <p>(b) fulfilment of specified Project Commitments (the evidence for which will include demonstrating that the Producer has entered into commercially binding arrangements to acquire necessary Material Equipment to deliver the Project by the start of the Target Commissioning Window).</p> <p>The Milestone Delivery Date is twelve (12) months after the Agreement Date but this period may be extended in some specific circumstances such as Force Majeure and, where applicable, delays by the relevant authority in establishing an electricity grid connection and/or a water connection.</p> |
| 2.4 | Operational Conditions Precedent | For the Start Date to occur and for subsidy payments under the LCHA to commence, the Producer must satisfy a number of Operational Conditions Precedent by the Longstop Date (unless |

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

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| | (Condition 3 and Annex 1 Part B) | <p>waived by the LCHA Counterparty, in its absolute discretion). These conditions, which will need to be evidenced in a form and content satisfactory to the LCHA Counterparty, include:</p> <ul style="list-style-type: none"> (a) evidence that: (i) the LCHA Settlement Services Provider has received the required LCHA Settlement Required Information; and (ii) the Producer has in place the systems and processes necessary for the continued provision of the LCHA Settlement Required Information; (b) evidence of compliance by the Producer with "know your customer" or similar identification procedures or checks under all applicable laws and regulations pursuant to the transactions contemplated by the LCHA and the other LCHA Documents; (c) evidence that the Producer has Commissioned an Installed Capacity of not less than eighty per cent (80%) of the Installed Capacity Estimate and the Facility is fit for commercial operation; (d) the Data Collection and Monitoring Procedures including the Fugitive Hydrogen Emissions Risk Reduction Plan (as summarised in item 14 (DCMP)) having been documented by the Producer and agreed with the LCHA Counterparty; (e) evidence that the Facility can produce Hydrogen that is LCHS Compliant; (f) evidence that the Producer is complying in full with the Metering Obligations and Measurement Data Obligations; (g) a date and time stamped copy of the schematic diagram, showing the locations of the relevant Meter Measurement Systems; (h) if applicable, evidence that the Hydrogen Storage Infrastructure has been Commissioned; (i) if applicable, evidence that the Hydrogen Transport Infrastructure has been Commissioned; and (j) written confirmation from the Producer to the LCHA Counterparty that either: (i) no Subsidy, State aid, Union Funding and/or International Funding has been received by the Producer or by any other person in relation to the costs of the Project (excluding the subsidy arising under the LCHA, the NZHF Grant Funding Agreement, the RTFO Scheme, the EII Exemption Regulations and/or any other Approved Scheme of Funding); or (ii) where such subsidy has been received, it has been repaid in full. |
| 3. | Adjustment to Installed Capacity Estimate (Part 4) | |

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| 3.1 | <p>Adjustments to Installed Capacity Estimate</p> <p>(Conditions 5 and 6)</p> | <p>The Producer is permitted to reduce the Installed Capacity Estimate in the following circumstances:</p> <p>(a) <u>Permitted Reduction</u>: A Producer may, at its discretion, reduce its Installed Capacity Estimate by up to ten per cent (10%) prior to the Milestone Delivery Date by issuing an adjustment notice to the LCHA Counterparty, specifying the amount by which the Installed Capacity will be lower than the Installed Capacity Estimate. A Producer may only make one permitted reduction and any adjustment will be irrevocable.</p> <p>(b) <u>Relevant Construction Event</u>: A Producer may notify the LCHA Counterparty, no later than three (3) months prior to the Longstop Date, that a Relevant Construction Event has occurred, specifying the proposed reduction to the Installed Capacity Estimate. If the LCHA Counterparty agrees with the Producer, both in terms of the Relevant Construction Event's occurrence and the new RCE-Adjusted Installed Capacity Estimate, the RCE-Adjusted Installed Capacity Estimate will become effective from the date of the LCHA Counterparty's response. If the Installed Capacity Estimate is adjusted in this manner, the new figure will be fixed and the Producer may not subsequently seek to increase it. A Relevant Construction Event adjustment may only be made once.</p> <p>Each of the notices referred to above must be accompanied by Supporting Information to evidence the new Installed Capacity Estimate and details of any change in assets comprising the Facility.</p> <p>If the Installed Capacity Estimate is reduced in accordance with the procedures outlined above, it will not result in any adjustment to the Strike Price. However, the LCHA Sales Cap will be reduced in proportion to the reduced Installed Capacity Estimate. The LCHA Sales Cap will then be readjusted in a similar manner if/when the Start Date occurs and again if/when the Final Installed Capacity is determined (see item 3.2 (<i>Final Installed Capacity</i>)).</p> |
| 3.2 | <p>Final Installed Capacity</p> <p>(Condition 7)</p> | <p>The Producer is required to demonstrate that it has commissioned an Installed Capacity of not less than ninety per cent (90%) of the Installed Capacity Estimate.</p> <p>The Producer is required to deliver a Final Installed Capacity Notice no later than ten (10) Business Days after the Longstop Date, specifying the Installed Capacity which has been Commissioned which: (i) must not exceed the Installed Capacity Estimate; and (ii) if it is lower than the Installed Capacity Estimate but higher than ninety per cent (90%) of the Installed Capacity Estimate, will be deemed to be equal to the lower of: (i) the Installed Capacity which has been Commissioned plus five per</p> |

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| | | <p>cent (5%) of the Installed Capacity Estimate; and (ii) the Installed Capacity Estimate.</p> <p>If the Producer fails to deliver a Final Installed Capacity Notice to the LCHA Counterparty by this deadline, the LCHA Counterparty will have the right, but not the obligation, to terminate the LCHA. If the LCHA Counterparty decides not to terminate the LCHA in these circumstances, the Final Installed Capacity at the Longstop Date will be deemed to be eighty per cent (80%) of the Installed Capacity Estimate.</p> <p>Once the Final Installed Capacity is determined in accordance with the above, the LCHA Sales Cap will be adjusted in proportion to the Final Installed Capacity compared to the Installed Capacity as at the Start Date. A similar adjustment will be made when the Installed Capacity is confirmed at the Start Date.</p> |
| 4. | Payment Calculations and Billing and Payment (Parts 5 and 6) | |
| 4.1 | Difference Amount (Condition 10) | <p>When the Strike Price exceeds the Reference Price for Qualifying Volumes, a top-up will be payable by the LCHA Counterparty to the Producer for each unit of Hydrogen that is a Qualifying Volume (see item 4.2 (<i>Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes</i>)). This top-up – defined as the Difference Amount – will be calculated by deducting the Reference Price for Qualifying Volumes (see item 4.5 (<i>Reference Prices</i>)) from the Strike Price (see item 4.4 (<i>Strike Price</i>)) and multiplying the result by the aggregate value of the relevant Qualifying Volumes.</p> <p>When the Reference Price for Qualifying Volumes exceeds the Strike Price, an amount will be payable by the Producer to the LCHA Counterparty, which will be calculated by deducting the Strike Price from the Reference Price for Qualifying Volumes and multiplying the result by the aggregate value of the relevant Qualifying Volumes. This amount will also form part of the Difference Amount.</p> <p>Finally, Non-Qualifying Volumes will also be taken into consideration in the calculation of the Difference Amount but only when the Reference Price for Non-Qualifying Volumes exceeds the Strike Price, whereby an amount will be payable by the Producer to the LCHA Counterparty. Such amount will be calculated by deducting the Strike Price from the Reference Price for Non-Qualifying Volumes and multiplying the result by the aggregate value of the relevant Non-Qualifying Volumes. In these circumstances, the Difference Amount described in the first paragraph above will be reduced or, alternatively, the Producer will be required to make a Difference Amount payment to the LCHA Counterparty.</p> <p>Payments will be made on a £ per MWh (higher heating value (HHV)) basis.</p> |

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| 4.2 | <p>Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes</p> <p>(Definitions)</p> | <p>In order for the Producer to receive a Difference Amount payment from the LCHA Counterparty, the Producer must have sold Qualifying Volumes of Hydrogen that have been produced by the Producer's Hydrogen Production Plant.</p> <p>A Qualifying Volume is an Invoiced Volume to Relevant Offtaker which:</p> <ul style="list-style-type: none"> (a) is purchased by a Qualifying Offtaker; and (b) is LCHS Compliant, <p>and in each case which is not a RTFO Volume or Measured Hydrogen Output which is deemed not to be LCHS Compliant in accordance with any provision of the LCHA.</p> <p>A Non-Qualifying Volume is:</p> <ul style="list-style-type: none"> (a) an Invoiced Volume to Relevant Offtaker which is not a Qualifying Volume pursuant to limb (a) and/or (b) of such definition and is not a RTFO Volume; (b) Excess Sales Volumes that are deemed to be Non-Qualifying Volumes (see item 4.12 (<i>LCHA Sales Cap and Annual Sales Cap</i>)); and (c) any other volumes which are deemed to be Non-Qualifying Volumes pursuant to any provision of the LCHA. <p>A RTFO Volume is an Invoiced Volume to Relevant Offtaker in respect of which Renewable Transport Fuel Certificates are claimed under the RTFO Scheme.</p> |
| 4.3 | <p>Qualifying Offtakers and Non-Qualifying Offtakers</p> <p>(Definitions)</p> | <p>A Qualifying Offtaker is any Offtaker who:</p> <ul style="list-style-type: none"> (a) is not a Non-Qualifying Offtaker; and (b) has been deemed to be a Qualifying Offtaker by the LCHA Counterparty pursuant to the Offtaker confirmation procedure and who remains a Qualifying Offtaker. <p>A Non-Qualifying Offtaker is any Offtaker who:</p> <ul style="list-style-type: none"> (a) is a Risk-Taking Intermediary; (b) exports Hydrogen produced by the Hydrogen Production Plant for use outside the UK; (c) imports Hydrogen produced by the Hydrogen Production Plant into any location outside the UK for use outside the UK; and/or (d) injects such Hydrogen into a Gas Transportation System for blending with Natural Gas, |

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| | | <p>and in each case who is deemed to be a Non-Qualifying Offtaker pursuant to the relevant provisions of the LCHA.</p> <p>A Risk-Taking Intermediary is an offtaker of Hydrogen produced by the Hydrogen Production Plant who enters into²:</p> <p>(a) an agreement with the Producer for the supply of, and transfer of, the legal and beneficial title in such Hydrogen to that offtaker for a purpose other than use by that offtaker for Fuel Purposes or Feedstock Purposes; and</p> <p>(b) one (1) or more agreement(s) to supply, and transfer the legal and beneficial title in, the same volumes of such Hydrogen to one (1) or more purchaser(s).</p> |
| 4.4 | Strike Price | <p>The Strike Price (<i>expressed in £ per MWh (HHV)</i>) will be the unit price required by the Producer to enable it to recover the costs of producing low carbon hydrogen and make an allowed return on its investment. The level and specific components of the Strike Price will be negotiated on a project-by-project basis and will include agreed eligible costs.</p> |
| 4.5 | Reference Prices (Condition 9) | <p>The reference prices (<i>expressed in £ per MWh (HHV)</i>) are intended to represent the market value of the Hydrogen sold by the Producer.</p> <p>The Reference Price for Qualifying Volumes will be the higher of:</p> <p>(a) the Producer's Achieved Sales Price for each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period; and</p> <p>(b) the Floor Price or, if applicable, the alternative Floor Price that applies to each Relevant Offtaker in respect of Qualifying Volumes in the relevant Billing Period.</p> <p>The Reference Price for Non-Qualifying Volumes will be the higher of:</p> <p>(a) the Producer's Achieved Sales Price for each Relevant Offtaker in respect of Non-Qualifying Volumes in the relevant Billing Period; and</p> <p>(b) the Strike Price that applies in the relevant Billing Period.</p> |
| 4.6 | Achieved Sales Prices ("ASPs") (Condition 9) | <p>The Total Invoiced Amount (<i>expressed in £</i>) is the total sum charged by the Producer to each Relevant Offtaker (excluding an Own Consumption Offtaker) for the supply of Hydrogen, as set out in the relevant Offtaker Invoice.</p> |

² Note to Reader: DESNZ has developed modifications to the LCHA that permit an intra-group contractual arrangement whereby a supplier who is an affiliate of the Producer sells Hydrogen produced by the Hydrogen Production Plant to one or more Offtaker(s) on behalf of the Producer pursuant to a supply agreement (a "SupplyCo Arrangement").

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| | | <p>The Achieved Sales Price (<i>expressed in £ per MWh (HHV)</i>) is the Total Invoiced Amount less the sum of the Strike Price Exclusion Amounts divided by the Invoiced Volume for each Relevant Offtaker. Where relevant, there will be an Achieved Sales Price for Qualifying Volumes and for Non-Qualifying Volumes and each Achieved Sales Price will include only the same eligible costs as the negotiated Strike Price.</p> <p>The Producer must invoice each Offtaker (both Qualifying Offtakers and Non-Qualifying Offtakers) on a monthly basis, with each invoice setting out the Total Invoiced Amount and the Strike Price Exclusion Amounts. From the Start Date, the Producer will be required to provide each invoice to the LCHA Counterparty at the end of the month. For an Own Consumption Offtaker, the same principle is applied to determine the Achieved Sales Price for the relevant Own Consumption Volumes, although the Achieved Sales Price is calculated by reference to an internal transaction report provided by the Producer (rather than an actual invoiced amount).</p> <p>The LCHA Counterparty will then calculate an Achieved Sales Price for: (i) Qualifying Volumes and (ii) Non-Qualifying Volumes for the relevant Billing Period. The LCHA Counterparty has the right to publish such Achieved Sales Price figure on an anonymised basis.</p> |
| 4.7 | Floor Price (Condition 9) | The Floor Price (subject to the application of any alternative Floor Price - see item 4.8 (<i>Feedstock Offtakers: Alternative Floor Price</i>)) will be the lower of (i) the Strike Price and (ii) the Gas Reference Price, for the relevant Billing Period. Where the Gas Reference Price is less than zero (0), it will be deemed to be zero (0) for the purpose of calculating the Floor Price. |
| 4.8 | Feedstock Offtakers: Alternative Floor Price (Condition 9) | If Qualifying Volumes are used for Feedstock Purposes by a Qualifying Offtaker, an alternative Floor Price will apply to those volumes (except in the calculation of the Price Discovery Incentive – see item 4.10 (<i>Price Discovery Incentive</i>)). The alternative Floor Price will be the lower of: (i) the Strike Price and (ii) the Gas Reference Price multiplied by 1.2, for the relevant Billing Period. Where the Gas Reference Price is less than zero (0), it will be deemed to be zero (0) for the purpose of calculating the alternative Floor Price. |
| 4.9 | Gas Reference Price (Condition 9) | The Gas Reference Price will be the arithmetic average of the Gas Settlement Price on each business day in the month preceding the relevant Billing Period for Month Ahead Natural Gas Contracts in the relevant Billing Period, as determined by the Gas Price Source. Where the Gas Fallback Price Trigger occurs, the Gas Fallback Price will apply. |
| 4.10 | Price Discovery Incentive | The Producer will receive a Price Discovery Incentive Amount linked to the increment by which the Reference Price for Qualifying Volumes exceeds the Floor Price (and, for the avoidance of doubt, |

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| | (Condition 11) | <p>not the alternative Floor Price) for each unit of Hydrogen that is a Qualifying Volume. If the Reference Price for Qualifying Volumes is higher than the Floor Price and:</p> <p>(a) the Reference Price for Qualifying Volumes is equal to or lower than the Strike Price, the Producer will receive ten per cent (10%) of the difference between the Reference Price for Qualifying Volumes and the Floor Price (even where the relevant Hydrogen volume(s) is sold to a Feedstock Offtaker i.e. the alternative Floor Price does not apply in this calculation) for each unit of Hydrogen that is a Qualifying Volume; or</p> <p>(b) the Reference Price for Qualifying Volumes exceeds the Strike Price, the Producer will receive ten per cent (10%) of the difference between the Strike Price and the Floor Price (even where the relevant Hydrogen volume(s) is sold to a Feedstock Offtaker i.e. the alternative Floor Price does not apply in this calculation) for each unit of Hydrogen that is a Qualifying Volume.</p> |
| 4.11 | <p>Sliding Scale Volume Support</p> <p>(Condition 12)</p> | <p>If the Producer is producing Hydrogen but its offtake/sales volumes are lower than fifty per cent (50%) of the Reference Volume (being the volume that would have been produced had the Facility, at the Installed Capacity, run at the Assumed Load Factor over the Billing Period) in a given Billing Period, and the Sliding Scale Top Up Condition is satisfied, the Producer will receive an additional amount for each unit of Hydrogen sold which is a Qualifying Volume, being the Sliding Scale Top Up Amount. If the Producer's offtake/sales volumes fall to zero in an individual Billing Period, no sliding scale top up support will be provided for that Billing Period.</p> <p>The Sliding Scale Top Up Amount will be payable in a Billing Period when:</p> <p>(a) a Qualifying Event has occurred;</p> <p>(b) the aggregate of: (i) the Total Invoiced Volumes; (ii) any QCiL Adjusted Revenues Volumes and (iii) the Unaccounted Volumes in the relevant Billing Period, is less than fifty per cent (50%) of the Reference Volume for that Billing Period; and</p> <p>(c) the difference between the Reference Volume and the Total Invoiced Volumes arising directly from a Non-Qualifying Event is less than fifty per cent (50%) of the Reference Volume,</p> <p>(the "Sliding Scale Top Up Condition").</p> <p>A Qualifying Event is an event or circumstance which causes the Total Invoiced Volumes to be less than the Reference Volume for</p> |

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| | | <p>the relevant Billing Period, except where such event or circumstance arises as a result of a Non-Qualifying Event.</p> <p>A Non-Qualifying Event means:</p> <ul style="list-style-type: none"> (a) the Producer's breach of, or default under, the LCHA or any Offtake Agreement, or its 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, including by curtailing, derating or shutting down the Facility; (c) the Hydrogen Production Plant is unavailable, curtailed or derated; (d) an outage event at any On-site Non-UKLCH Storage or Off-site Non-UKLCH Storage which, in either case, is used by the Producer in relation to the Project; or (e) an outage of any Non-UKLCH Transport Infrastructure or Non-UKLCH Electricity Storage System which, in either case, is used by the Producer in relation to the Project. <p>The Producer will be required to provide the LCHA Counterparty with supporting evidence in the relevant Payment Information Notice to demonstrate that the Sliding Scale Top Up Condition has been satisfied.</p> |
| 4.12 | LCHA Sales Cap and Annual Sales Cap (Condition 13) | <p>The LCHA Sales Cap (<i>expressed in MWh (HHV)</i>) will be negotiated on a project-by-project basis (subject to any adjustment pursuant to a permitted reduction, Relevant Construction Event and/or any adjustment made at the Start Date or Longstop Date to reflect the Installed Capacity). The LCHA Sales Cap represents the Facility's forecast total Hydrogen production volumes during the LCHA term (i.e. forecast total Qualifying Volumes, Non-Qualifying Volumes and RTFO Volumes). In each Billing Period, the volumes of Hydrogen produced and sold by the Facility (including Own Consumption Volumes) from the Start Date will be aggregated (subject to any Excess Sales Volumes adjustment as summarised below) into a Total Accrued Volume figure (<i>expressed in MWh (HHV)</i>), which will then be compared against the LCHA Sales Cap to ensure that such cap is not exceeded during the term of the LCHA.</p> <p>For each Fiscal Year, the volumes of Hydrogen produced and sold by the Facility (including Own Consumption Volumes) must not exceed the Permitted Annual Sales Cap (<i>expressed in MWh (HHV)</i>), which will be equal to the Assumed Load Factor multiplied by the total number of hours in the relevant Fiscal Year multiplied by the Installed Capacity (or Final Installed Capacity) multiplied by one point two five (1.25). In a Fiscal Year, the Total Invoiced Volumes for all Billing Periods in such year which exceed the Permitted Annual Sales Cap will be classified as Excess Sales</p> |

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| | | <p>Volumes and will be deemed to be Non-Qualifying Volumes for the purpose of calculating the Difference Amount.</p> <p>Without prejudice to the termination right discussed below, in the event that there are Excess Sales Volumes, an additional fifty per cent (50%) of such volumes will be added to the Total Invoiced Volumes for the purpose of calculating the Total Accrued Volume.</p> <p>In addition to this Excess Sales Volumes mechanism, if the Producer breaches the Permitted Annual Sales Cap in three (3) consecutive or non-consecutive Fiscal Years, the LCHA Counterparty will have the right to terminate the LCHA (see item 7.3 (<i>Producer Default Termination</i>)).</p> <p>Finally, when the Total Accrued Volume is equal to the LCHA Sales Cap, any additional volumes of Hydrogen produced and sold by the Facility will be deemed to be zero (0) and the LCHA will automatically expire on a no-liability basis (see item 2.1 (<i>Term and Specified Expiry Date</i>)).</p> |
| 4.13 | Strike Price Indexation (Condition 14) | The Strike Price will be indexed to CPI. |
| 4.14 | Billing and Payment (Part 6) | <p>Once the Start Date has been achieved, payments will be made by the LCHA Counterparty to the Producer, subject to the application of the relevant payment formulae set out in the LCHA and summarised above.</p> <p>The Producer will be required to deliver to the LCHA Counterparty a Payment Information Notice ("PIN"), no later than five (5) Business Days after the end of each Billing Period. The LCHA Counterparty will then deliver a UKLCH Billing Statement to the Producer for each Billing Period no later than ten (10) Business Days after the end of the relevant Billing Period.</p> <p>The UKLCH Net Payable Amount will be the sum of the Difference Amount, the Price Discovery Incentive Amount, the Sliding Scale Top Up Amount, any UKLCH Reconciliation Amount and any UKLCH Compensatory Interest Amount (all in respect of the relevant Billing Period).</p> <p>Payments will then be due to the Producer (if the UKLCH Net Payable Amount is positive) no later than ten (10) Business Days after the delivery of the relevant billing statement, provided that the LCHA Counterparty has received the PIN from the Producer by the relevant deadline.</p> <p>Any payments that are due to the LCHA Counterparty (if the UKLCH Net Payable Amount is negative) will need to be made by the Producer no later than eight (8) Business Days after the delivery of the relevant billing statement.</p> <p>If the Producer fails to submit a PIN by the deadline set out above, no payment will be due and the Producer will not be entitled to</p> |

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| | | <p>submit any further PINs until it submits the relevant missing PIN. If the Producer fails to submit a PIN within three (3) Months of the end of the relevant Billing Period, the LCHA Counterparty will not be required to make any payment in respect of such PIN and will have the right to estimate the ASPs for each Relevant Offtaker for the relevant Billing Period.</p> <p>If the Producer fails to submit a PIN within six (6) Months of the end of the relevant Billing Period, the LCHA Counterparty will have the right to terminate the LCHA.</p> <p>The Producer will only be entitled to access the Derived Data – which is relevant to the calculation of the Gas Reference Price – if it has entered into a Derived Data Agreement with the LCHA Counterparty (which has not been terminated or become void).</p> |
| 4.15 | Set-Off (Condition 25) | <p>The LCHA includes reciprocal set-off rights for the Producer and the LCHA Counterparty (i.e. either Party may reduce the amounts that it is required to pay to the other Party, by any amounts that are owed to it by the other Party).</p> <p>The LCHA Counterparty may also set-off any amount of Other Subsidy or any RTFO Volume Clawback Amount against any amounts payable to the Producer under the LCHA.</p> |
| 5. | Representations, Warranties and Undertakings (Part 7) | |
| 5.1 | Representations and Warranties (Conditions 28 and 29) | Both the Producer and the LCHA Counterparty are required to provide certain representations and warranties to each other on the Agreement Date and the Start Date. |
| 5.2 | Producer's General Undertakings (Condition 30) | <p>The Producer is required to provide the following undertakings to the LCHA Counterparty:</p> <p>(a) <u>Compliance with Laws and Directives</u>: The Producer must at all times comply with all Laws and Directives to which it may be subject, if a failure to do so would have or would reasonably be expected to have a Material Adverse Effect.</p> <p>(b) <u>Required Authorisations</u>: The Producer must: (i) promptly obtain all Required Authorisations; (ii) at all times perform, comply with and satisfy all conditions of, and all obligations and liabilities under, all Required Authorisations; and (iii) do all that is necessary to maintain in full force and effect all Required Authorisations, to the extent, in each case, that a failure to do so would have or would reasonably be expected to have a Material Adverse Effect.</p> <p>(c) <u>Industry Documents</u>: The Producer must at all times comply with all terms of those Industry Documents to which it is a party or by which it is bound, if a failure to do</p> |

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| | | <p>so would have or would reasonably be expected to have a Material Adverse Effect.</p> <p>(d) <u>No insolvency action</u>: The Producer must not petition, apply for, institute, support or vote for the administration, winding-up or liquidation of the LCHA Counterparty or seek any other relief as against the LCHA Counterparty under any administration, insolvency or bankruptcy law or similar law affecting creditors' rights generally.</p> <p>(e) <u>Ownership</u>: The Producer must at all times be the legal and beneficial owner of the Facility, subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility.</p> <p>(f) <u>Hydrogen Storage</u>: If applicable, the Producer must at all times ensure that all Hydrogen Storage Infrastructure is exclusively owned (subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility) and used by the Producer to store Hydrogen produced by the Hydrogen Production Plant.</p> <p>(g) <u>Hydrogen Transport</u>: If applicable, the Producer must at all times ensure that all Hydrogen Transport Infrastructure is exclusively owned (subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility) and used by the Producer to transport Hydrogen produced by the Hydrogen Production Plant.</p> <p>(h) <u>Compliance of Technology</u>: The Producer must at all times ensure that the Hydrogen Production Technology deployed by the Facility is as specified in the front end agreement. If the Producer fails to comply with the compliance of technology undertaking, the LCHA Counterparty may withhold payment for the period during which the Producer is not in compliance with this undertaking.</p> <p>(i) <u>Data Collection and Monitoring Procedures</u>: The Producer must at all times comply with Annex 6 (<i>Data Collection and Monitoring Compliance with the LCHS</i>).</p> |
| 5.3 | <p>Producer's Information Undertakings</p> <p>(Condition 33)</p> | <p>The Producer is required to provide the following information to the LCHA Counterparty:</p> <p>(a) <u>Initial facility data</u>: The Producer's estimate of, amongst other things, the expected Start Date along with estimates as to the Installed Capacity and commissioning profile of the Facility, such estimates to be provided on the Agreement Date and at monthly intervals thereafter.</p> <p>(b) <u>LCHA Counterparty Information</u>: All Information requested by the LCHA Counterparty (acting reasonably)</p> |

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| | | <p>to comply with its obligations under the LCHA. This Information must be provided within five (5) Business Days (or, if not within the possession of the Producer, ten (10) Business Days) of the LCHA Counterparty's request.</p> <p>(c) <u>KYC Information</u>: All Information requested by the LCHA Counterparty (acting reasonably) to conduct "know your customer" or similar identification procedures or checks under all applicable laws and regulations in respect of the transactions contemplated by the LCHA and the other LCHA Documents. This Information must be provided within twenty (20) Business Days (or thirty (30) Business Days if not in the possession of the Producer) of the LCHA Counterparty's request. Such Information must be provided with a Directors' Certificate.</p> <p>(d) <u>Forecast Data</u>: The Forecast Data, within ten (10) Business Days of the Agreement Date and not later than 31 January in each year and at other regular intervals.</p> <p>(e) <u>Notification of significant events</u>: Notification of the occurrence of any event or circumstance which will or is reasonably likely to affect significantly any: (i) information included in a Payment Information Notice; or (ii) any Information provided by the Producer pursuant to (c) above, together with Supporting Information.</p> <p>(f) <u>Financial condition Information for LCHA Counterparty Permitted Purposes</u>: All Information reasonably requested by the LCHA Counterparty regarding the financial condition, business or operations of the Producer to enable or assist the LCHA Counterparty to fulfil the LCHA Counterparty Permitted Purposes. Such Information must be provided within ten (10) Business Days of the LCHA Counterparty's request.</p> <p>(g) <u>UKLCH Programme status</u>: All Information reasonably requested by the LCHA Counterparty for the purposes of: (i) compiling and evaluating statistics relating to the outcomes of the UKLCH Programme and the impact of that programme across a range of social and economic factors; and (ii) publishing material relating thereto, including announcements and reports describing the general outcomes, merits and achievements relating to the programme. Such Information must be provided within ten (10) Business Days of the LCHA Counterparty's request.</p> <p>(h) <u>Compliance with metering</u>: As soon as reasonably practicable upon request, all Information reasonably requested by the LCHA Counterparty for the purposes of assessing compliance by the Producer with the Metering Obligation(s) and Measurement Data Obligation(s).</p> |

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| | | <p>(i) <u>Litigation</u>: As soon as reasonably practicable upon becoming aware of them, the details of any litigation, arbitration or administrative suit or proceeding, adjudication, expert determination, Tax claim, or Tax investigation against the Producer which is current or pending and which, if adversely determined, would have or would be reasonably likely to have a Material Adverse Effect.</p> <p>(j) <u>Expected Facility Data</u>: The Expected Facility Data, within two (2) months of the Agreement Date, within two (2) months of the Milestone Delivery Date and then no later than 31 January in each year during the Term. Where the Expected Facility Data has not changed significantly since the last submission, the Producer is not required to resubmit the Expected Facility Data, but must provide written confirmation of the same. The Expected Facility Data must also be provided no later than ten (10) Business Days after the Producer becomes aware of the occurrence of certain events or following a request for such data from the LCHA Counterparty.</p> <p>(k) <u>Project status</u>: As soon as reasonably practicable following the LCHA Counterparty's request, all Information (kept to the Reasonable and Prudent Standard) that the LCHA Counterparty reasonably requests that represents the status and progress of the Project to date against contractual and Project milestones, showing the critical path of the Project towards these milestones up to the delivery of a Final Installed Capacity Notice.</p> <p>(l) <u>Annual Compliance Report</u>: To be provided in accordance with the Annual Compliance Report and Audit provisions in the LCHA (see item 5.4 (<i>Producer's Monitoring, Reporting and Verification (MRV) Undertakings</i>)).</p> <p>(m) <u>Additional Revenue</u>: Each Additional Revenue Report, no later than 31 January in each year during the Payment Period together with a Directors' Certificate and Supporting Information.</p> <p>(n) <u>Transport, storage and electricity storage</u>: As soon as reasonably practicable upon becoming aware of them, the details of any changes to any: (i) On-site Non-UKLCH Storage; (ii) Off-site Non-UKLCH Storage; (iii) Non-UKLCH Transport Infrastructure; and/or (iv) Non-UKLCH Electricity Storage System.</p> |
| 5.4 | Producer's Monitoring, Reporting and | <p>(a) <u>Offtaker Confirmation Procedure</u>: If at any time:</p> <p>(i) the Producer enters into, amends or varies, replaces or transfers any Offtake Agreement, the</p> |

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| | <p>Verification (MRV) Undertakings</p> <p>(Conditions 36, 37, 40 and 41)</p> | <p>Producer is required to submit an Offtaker Confirmation Request Notice to the LCHA Counterparty within thirty (30) Business Days, together with the Small Offtaker Information or Large Offtaker Information (as applicable); and/or</p> <p>(ii) the Producer intends to be an Own Consumption Offtaker, the Producer is required to submit an Own Consumption Confirmation Request Notice to the LCHA Counterparty which must contain information including, but not limited to, the Producer's intended end-use of the Hydrogen.</p> <p>In each case, the Producer must then follow the prescribed notification procedure, following which the Offtaker (or, in the case of own consumption, the Producer) will be deemed to be a Qualifying Offtaker or a Non-Qualifying Offtaker. Failure by the Producer to provide the relevant notice or Offtaker Supporting Information in accordance with such procedure will give the LCHA Counterparty the right to: (i) suspend payments under the LCHA; (ii) deem the relevant Offtaker or (where applicable) the Producer to be a Non-Qualifying Offtaker; or (iii) terminate the LCHA.</p> <p>(b) <u>General Producer Compliance Obligations:</u> The Producer must ensure that each Offtake Agreement includes: (i) the Offtaker Compliance Provisions; and (ii) one (1) or more express contractual right or remedy against the relevant Offtaker for any non-material breach of the Offtaker Compliance Provisions, along with the right to terminate the relevant Offtake Agreement for any persistent, material or wilful breach of the Offtaker Compliance Provisions. The Producer is also required to:</p> <p>(i) use reasonable endeavours to perform its obligations under and observe all the terms of each Offtake Agreement;</p> <p>(ii) notify the LCHA Counterparty where: (i) an Offtaker is in breach of the Offtaker Compliance Provisions; (ii) any Offtake Agreement is terminated; and/or (iii) the Producer grants a waiver/release in respect of a breach described in (i);</p> <p>(iii) use reasonable endeavours to enforce its rights or remedies against any Offtaker who breaches the Offtaker Compliance Provisions; and</p> <p>(iv) where any information contained in any Offtaker Confirmation Request Notice, Own Consumption Confirmation Request Notice, Offtaker Supporting Information, Annual Compliance Report or</p> |

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| | | <p>Payment Information Notice was inaccurate or misleading, notify the LCHA Counterparty and provide the correct information.</p> <p>(c) <u>Own Consumption Obligation</u>: If the Producer is an Own Consumption Offtaker, the Producer must ensure that, for any Total Invoiced Volumes which are Qualifying Volumes, it: (i) is not a Risk-Taking Intermediary in respect of such volumes; (ii) does not export such volumes for use outside of the UK; (iii) does not inject such volumes into a Gas Transportation System for blending with Natural Gas; and (iv) does not claim such volumes under the RTFO Scheme. Any breach of such Own Consumption Obligations will result in an Own Consumption Obligation Termination Event.</p> <p>(d) <u>LCHA Counterparty Audit Right</u>: The Producer must:</p> <p>(i) grant the LCHA Counterparty (and any suitably qualified person nominated by the LCHA Counterparty) access to: (i) the Producer; (ii) any plant, machinery, property, processing or storage facility associated with the Facility, in each case owned, occupied or controlled by the Producer and to which the Producer can lawfully grant access; (iii) the Producer's personnel, systems, books, records and any other information, and (iv) the directors, officers and employees of the Producer; and</p> <p>(ii) use reasonable endeavours to procure that each Offtaker grants the LCHA Counterparty access to: (i) the Offtaker; (ii) any plant, machinery, meters, property, processing or storage facility, associated with the Offtaker, in each case owned, occupied or controlled by the Offtaker and to which the Offtaker can lawfully grant access; and (iii) the Offtaker's personnel, systems, books, records and any other information,</p> <p>in each case as the LCHA Counterparty considers reasonably necessary to assess the Producer's compliance with the undertakings summarised above.</p> <p>(e) <u>Annual Audit Report</u>: The Producer must, no later than eighty (80) Business Days following the end of each Fiscal Year, provide the LCHA Counterparty with an Annual Compliance Report which meets the Annual Compliance Report Minimum Requirements (these include, but are not limited to, confirmation that the Producer has complied with its MRV undertakings and details of any Offtaker Volume Change). Each Annual Compliance Report must be accompanied by: (i) a Directors' Certificate; (ii) an Annual Auditor's Certificate,</p> |

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| | | together with an Annual Compliance Audit Report; and (iii) a LCHS Compliance Audit Report (detailed in section 21 (<i>Annual Audit Reports</i>) below). |
| 5.5 | <p>Producer Undertakings: Metering and Measurement Data</p> <p>(Conditions 31 and 32)</p> | <p>The LCHA requires the Producer to install and maintain:</p> <ul style="list-style-type: none"> (a) Hydrogen Meter Measurement System(s) for measuring Hydrogen output in order to demonstrate compliance with the LCHS and verify quantities of Hydrogen reported in the PIN; (b) Electricity Meter Measurement System(s) for measuring electricity supply in order to demonstrate compliance with the LCHS; and (c) Water Meter Measurement System(s) for measuring water supply in order to demonstrate compliance with the LCHS. <p>The Producer undertakes: (i) that each Meter Measurement System complies with the applicable rules and standards set out in the LCHS and Annex 9 (<i>Metering Operational Framework and Technical Specifications</i>) of the LCHA and has been correctly installed and configured; and (ii) that any faults or issues with such systems are investigated. See item 17 (<i>Metering Operational Framework and Technical Specifications</i>) for further detail.</p> <p>If the Producer breaches a Metering Obligation, the Producer must: (i) provide a Metering Remediation Plan to the LCHA Counterparty for approval; and (ii) once approved, implement the Metering Remediation Plan to remedy the breach. If the Producer fails to comply with its obligations described in (i) and (ii) above, a Termination Event will be deemed to have occurred.</p> <p>The Producer must also provide Measurement Data to the LCHA Counterparty (in accordance with the DCMP) and ensure that such data is not misleading. The Producer must notify the LCHA Counterparty of any errors and provide updated Measurement Data to the LCHA Counterparty to correct the relevant errors.</p> <p>If the Producer breaches the Measurement Data Obligation, the LCHA Counterparty may suspend payments until the breach is rectified. The provision of misleading Measurement Data by the Producer will be deemed to constitute a Termination Event provided that (i) the Producer knew such data was misleading; (ii) the Producer acted recklessly in providing such data; or (iii) there have been three (3) or more Producer System Failures in any rolling three (3) year period when providing such data.</p> |
| 5.6 | LCHA and RTFO Scheme Dual Participation Undertakings | <p>The LCHA contains a RTFO Compliance Obligation, under which the Producer must ensure that the Total Invoiced Volumes which are Qualifying Volumes are not claimed under the RTFO Scheme. If this obligation is breached, the Producer must notify the LCHA Counterparty and must repay the RTFO Volume Clawback Amount. The LCHA Counterparty may suspend all payments</p> |

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| | (Condition 33) | <p>under the LCHA until such amount is repaid and if it is not repaid within thirty (30) Business Days of notification of the breach, such amount may be set off against any amounts payable to the Producer under the LCHA.</p> <p>A cut-off date of three (3) years (after the last day of the relevant Billing Period) applies to the Producer's liability for a RTFO Compliance Obligation breach, provided that the breach arises solely as a result of an Offtaker or other third party claiming Qualifying Volumes under the RTFO Scheme and where the Producer had: (i) made all due and careful enquiries in relation to such breach and (ii) included relevant pass down provisions relating to dual LCHA/RTFO participation in the relevant Offtake Agreement.</p> |
| 5.7 | <p>Subsidy Cumulation: Warranty and Undertaking</p> <p>(Condition 33)</p> | <p>The LCHA includes a prohibition on subsidy cumulation in respect of the costs of the Project and an obligation for the Producer to repay any subsidy it receives in relation to such costs (excluding the LCHA subsidy). If the Producer is able to evidence that the grantor of the Other Subsidy refuses to accept repayment, then such amount will be set off against any amounts payable to the Producer under the LCHA.</p> <p>The LCHA also includes specific exemptions to the prohibition on subsidy cumulation, provided that the Producer does not receive subsidy support in respect of the same Project costs. Such exemptions include subsidy arising under the NZHF Grant Funding Agreement, the RTFO Scheme, the EII Exemption Regulations and/or any Approved Scheme of Funding (the details of which will be negotiated and agreed on a project-by-project basis).</p> <p>Subject to the application of any such exemptions, a breach of the subsidy cumulation warranty or a failure to comply with the subsidy cumulation undertaking will give the LCHA Counterparty the right to suspend all payments under the LCHA.</p> |
| 5.8 | <p>UK ETS Free Allowances</p> <p>(Condition 34)</p> | <p>The LCHA prohibits the Producer (and other third parties) from applying for or receiving free allowances from the UK ETS Registry Administrator in respect of the Facility. A breach of this prohibition constitutes a Termination Event under the LCHA (see item 7.3 (<i>Producer Default Termination</i>)). The Producer must also notify the LCHA Counterparty of such a breach if it occurs.</p> |
| 5.9 | <p>Producer's Supply Chain Reporting</p> <p>(Condition 35)</p> | <p>The LCHA requires the Producer to provide a report on economic benefits and its supply chain to the LCHA Counterparty by the following deadlines:</p> <ul style="list-style-type: none"> (a) 1st report by the Milestone Delivery Date; (b) 2nd report by the 3rd anniversary of the Start Date; (c) 3rd report by the 7th anniversary of the Start Date; and |

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| | | <p>(d) 4th report by the 11th anniversary of the Start Date.</p> <p>A breach of this reporting obligation may result in Supply Chain Report Fees being levied against the Producer, which would be deducted from future payments made by the LCHA Counterparty to the Producer.</p> |
| 5.10 | NQ Volume Clawback (Condition 38) | <p>The LCHA requires the Producer to undertake that no Difference Amounts are paid to the Producer in respect of Non-Qualifying Volumes. If this undertaking is breached, the Producer must repay the NQ Volume Clawback Amount to the LCHA Counterparty.</p> <p>A cut-off date of three (3) years (after the last day of the relevant Billing Period) applies to the Producer's liability to repay any Difference Amounts paid in respect of Non-Qualifying Volumes. However, this cut-off date does not apply if the relevant PIN (i.e. relating to the Difference Amount payment) was misleading and: (i) the Producer knew that the PIN was misleading; (ii) the Producer acted recklessly in providing the PIN; or (iii) the Producer failed to make all due and careful enquiries when providing the PIN.</p> |
| 5.11 | Affiliate Offtaker (Condition 39) | <p>If an Offtaker becomes affiliated with a Producer following the occurrence of any Significant Common Ownership, the Producer must undertake not to issue an Offtaker Invoice or a PIN with an ASP for the relevant Offtaker which is lower than the ASP that would have been calculated under the Offtake Agreement as it existed prior to the occurrence of the Significant Common Ownership.</p> <p>Significant Common Ownership has been defined to mean where a single legal entity holds an interest (direct or indirect) in 25% or more of the equity share capital of each of the Producer and an Offtaker. The Producer is also under an obligation to provide a KYC Notice notifying the LCHA Counterparty of any transaction that would result in Significant Common Ownership.</p> <p>If the Producer breaches this undertaking, the LCHA Counterparty will recalculate the ASP and, if relevant, include a UKLCH Reconciliation Amount in the next Billing Statement in respect of any overpayment. Three (3) breaches of this undertaking will constitute a Termination Event.</p> |
| 6. | Changes in Law (Part 8) | |
| 6.1 | Qualifying Change in Law (Condition 42 and Definitions) | <p>The LCHA contains Qualifying Change in Law ("QCIL") provisions in respect of the following three (3) categories of Change in Law:</p> <p>(a) <u>Discriminatory Change in Law</u>: This is a Change in Law which specifically applies to the particular: (i) Project; (ii) Facility; or (iii) Producer.</p> <p>(b) <u>Specific Change in Law</u>: This is a Change in Law that specifically (and not merely indirectly or consequentially</p> |

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| | | <p>or by virtue of the disproportionate effect of any Change in Law that is of general application) applies to:</p> <ul style="list-style-type: none"> (i) hydrogen production facilities (or the holding companies of entities who operate such facilities) deploying the same hydrogen production technology as the Producer and not to any other hydrogen production facilities; (ii) hydrogen production facilities (or the holding companies of entities who operate such facilities) which are subject to a LCHA, and not to hydrogen production facilities which are not subject to a LCHA; or (iii) facilities (or the holding companies of entities who operate such facilities) deploying the same hydrogen production technology as the Producer and which are subject to a LCHA, and not to other facilities which are not the same or similar type of facility and which are subject to a LCHA. <p>(c) <u>Other Change in Law</u>: This is a Change in Law which, whilst not specifically applying to the Producer or its Facility, has an undue and discriminatory effect on the out-of-pocket costs incurred or saved by the Producer when compared with the out-of-pocket costs incurred or saved by one of the following UK comparator groups:</p> <ul style="list-style-type: none"> (i) all hydrogen production facilities deploying a Material Hydrogen Production Technology; (ii) all other hydrogen production facilities deploying the same hydrogen production technology; (iii) all hydrogen production facilities excluding those deploying the same hydrogen production technology; or (iv) hydrogen production facilities not subject to a LCHA. <p>QCIL protection is not available to Producers in respect of foreseeable changes in law. A Change in Law resulting from the Review of Electricity Market Arrangements consultation is carved out from the Foreseeable Change in Law definition.</p> <p>The following Changes in Law will expressly constitute a QCIL under the LCHA:</p> <ul style="list-style-type: none"> (a) a Change in Law which results in a decrease to the energy intensive industries subsidy intensity threshold to below eighty-five per cent (85%); |

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| | | <p>(b) a change in law which results in Producers being compensated in respect of their liability to pay: (i) TNUoS Charges; (ii) DUoS Charges; and/or (iii) BSUoS Charges; and</p> <p>(c) a direction from the LCHA Counterparty that the Producer must comply with an amendment to the LCHS Data Annex which is not legally binding and is inconsistent with the agreed version of the LCHS.</p> |
| 6.2 | <p>QCIL Compensation (Condition 43)</p> | <p>The QCIL compensation provisions have effect both ways whereby the Producer will be entitled to compensation if a QCIL results in net costs for the Producer, and the LCHA Counterparty will be entitled to compensation if a QCIL results in net savings for the Producer. The main categories of compensation that will be payable to/from a Producer relate to QCILs that:</p> <p>(a) permanently prevent the construction of a Facility (a QCIL Construction Event);</p> <p>(b) affect a Producer's capex;</p> <p>(c) affect a Producer's opex;</p> <p>(d) affect a Producer's ability to produce low carbon hydrogen and hence the market revenue and LCHA subsidy that the Producer receives for such hydrogen; and</p> <p>(e) permanently prevent a Facility from operating (a QCIL Operations Cessation Event).</p> |
| 6.3 | <p>Qualifying Shutdown Events (Condition 46)</p> | <p>A Qualifying Shutdown Event is where the Government or a governmental authority permanently prevents the Hydrogen Production Plant from operating or refuses to give approval for a period exceeding twenty-four (24) months, to a request to re-start operations at the Hydrogen Production Plant. There are certain exceptions to this definition, namely where the shutdown event:</p> <p>(a) occurs because the Government/a governmental authority was required to act in this way under European or International law, provided that the Government/a governmental authority used reasonable endeavours to oppose and prevent the adoption of that law;</p> <p>(b) was for reasons relating to health, safety, security, environment, transport, or damage to property in relation to: (i) the Hydrogen Production Plant, the hydrogen production therefrom; (ii) the Producer; (iii) the site on which the Facility is situated; (iv) the management of the Hydrogen Production Plant, the Producer, or the site; or (v) (in conjunction with at least one of the other parts of this paragraph (b)) the production of hydrogen using the same hydrogen production technology as the Facility;</p> |

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| | | <p>(c) arose as a result of the negligence, breach or fault of the Producer, or a failure to act in accordance with the Reasonable and Prudent Standard by the Producer or any of its representatives; or</p> <p>(d) relates to any decision by any Subsidy Control Competent Authority or any other competent authority on the application of the subsidy control rules to the LCHA.</p> <p>A Qualifying Shutdown Event that occurs on or after the Start Date will constitute a QCiL Operations Cessation Event under the LCHA, in respect of which a Producer is entitled to receive specified compensation from the LCHA Counterparty.</p> |
| 6.4 | <p>Change in Applicable Law</p> <p>(Conditions 48, 49 and 50)</p> | <p>The LCHA Counterparty is entitled to propose amendments to the LCHA where any new law, or a change to the manner in which an existing law is interpreted or applied, renders the LCHA illegal, invalid, unenforceable or inoperable.</p> |
| 7. | Termination and Consequences of Termination (Part 9) | |
| 7.1 | <p>Pre-Start Date Termination</p> <p>(Condition 52)</p> | <p>The LCHA includes the right (but not the obligation) for the LCHA Counterparty to terminate the LCHA where:</p> <p>(a) <u>Initial Conditions Precedent</u>: the Producer fails to fulfil the Initial Conditions Precedent within twenty (20) Business Days following the Agreement Date;</p> <p>(b) <u>Directors' Certificate</u>: at any time prior to the Start Date, any Directors' Certificate provided by the Producer is, amongst other things, misleading;</p> <p>(c) <u>Milestone Requirement</u>: the Producer fails to fulfil the Milestone Requirement before the Milestone Delivery Date (twelve (12) months after the Agreement Date). The Milestone Delivery Date will be adjusted day-for-day for any unavoidable delays that occur due to Force Majeure and, where applicable, delays by the relevant authority in establishing an electricity grid connection and/or a water connection;</p> <p>(d) <u>Longstop Date</u>: the Producer fails to satisfy the Operational Conditions Precedent by the Longstop Date (twelve (12) months following the final day of the Target Commissioning Window). The Longstop Date will be adjusted day-for-day for any unavoidable delays that occur due to Force Majeure and, where applicable, delays by the relevant authority in establishing an electricity grid connection and/or a water connection; and</p> <p>(e) <u>Producer Default Termination</u>: a Termination Event (as summarised in item 7.3 (<i>Producer Default Termination</i>))</p> |

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| | | <p>occurs and is continuing at any time prior to the Start Date.</p> <p>Pre-Start Date termination will occur on a no-liability basis.</p> |
| 7.2 | <p>Termination for failing to satisfy the Minimum Longstop Date Commissioning Requirements (Condition 52)</p> | <p>The LCHA Counterparty has the right (but not the obligation) to terminate the LCHA in the following circumstances:</p> <p>(a) if the Producer fails to deliver to the LCHA Counterparty the Final Installed Capacity Notice by no later than ten (10) Business Days after the Longstop Date; or</p> <p>(b) if the Producer fails to satisfy the Minimum Longstop Date Commissioning Requirements during the Longstop Date Performance Tests, which include: (i) that an Installed Capacity of not less than ninety per cent (90%) of the Installed Capacity Estimate has been Commissioned; and (ii) that the Facility can produce Hydrogen that is LCHS Compliant.</p> <p>Termination for failing to satisfy the Minimum Longstop Date Commissioning Requirements will occur on a no-liability basis.</p> |
| 7.3 | <p>Producer Default Termination (Conditions 52 and 54)</p> | <p>The default termination provisions in the LCHA give the LCHA Counterparty the right, at any time on or after the Start Date, to terminate the LCHA upon the occurrence of any of the following Termination Events with respect to the Producer: (a) insolvency; (b) non-payment which is not rectified within a specified cure period; (c) breach of key obligations relating to ownership of the Facility (and, if applicable, Hydrogen Storage Infrastructure and Hydrogen Transport Infrastructure), the restrictions on assigning a Producer's rights and obligations under the LCHA, and fraud; (d) credit support default (e.g. a failure to provide collateral that may be required in cases of repeated non-payment); and (e) breach of key obligations relating to metering.</p> <p>In addition, the LCHA includes the following Termination Events with respect to the Producer:</p> <p>(a) breach of key obligations relating to the LCHA specific monitoring and reporting obligations (e.g. certain (i) failures to comply with the Offtaker and Own Consumption confirmation processes; (ii) misleading declarations; (iii) failures to comply with the annual compliance reporting and audit requirements);</p> <p>(b) breach of key obligations relating to RTFO Scheme undertakings (e.g. the Producer claims: (i) LCHA payments for volumes in respect of which Renewable Transport Fuel Certificates have been claimed under the RTFO Scheme; or (ii) Renewable Transport Fuel Certificates under the RTFO Scheme in respect of volumes that have been subsidised under the LCHA);</p> |

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| | | <p>(c) breach of the prohibition on applying for or receiving UK ETS free allowances in respect of the Facility from the UK ETS Registry Administrator (see item 5.8 (<i>UK ETS free allowances</i>));</p> <p>(d) breach of the obligation not to exceed the Permitted Annual Sales Cap in three (3) (consecutive or non-consecutive) Fiscal Years during the term of the LCHA (see item 4.12 (<i>LCHA Sales Cap and Annual Sales Cap</i>));</p> <p>(e) the NZHF GFA is terminated due to Producer breach or default;</p> <p>(f) breach of the obligation to submit a Payment Information Notice (and/or accompanying Directors' Certificate) within six (6) months of the relevant Billing Period;</p> <p>(g) provision of LCHS reported data which is misleading (providing certain conditions are met);</p> <p>(h) breach of the obligation to permit the LCHA Counterparty to exercise the LCHS Audit Right; and</p> <p>(i) breach of key obligations relating to Affiliate Offtakers (as summarised in item 5.11 (<i>Affiliate Offtaker</i>)), which has been deemed to have occurred on three (3) or more occasions.</p> |
| 7.4 | <p>Consequences of Producer Default Termination</p> <p>(Condition 53 and Annex 3)</p> | <p>If a Termination Event occurs after the Start Date and the LCHA Counterparty terminates the LCHA, the Producer will be obliged to pay the LCHA Counterparty a Default Termination Payment. The Default Termination Payment will be calculated as follows:</p> $\text{Default Termination Payment} = (\text{Termination Fee Rate } (\pounds 2/\text{MWh (HHV)}) \times \text{Inflation Factor}) \times 365 \times 24 \times \text{Installed Capacity (or Final Installed Capacity)} \times \text{Assumed Load Factor}$ <p>The Producer will not be liable to pay more than one Default Termination Payment.</p> |
| 7.5 | <p>Termination for Prolonged Force Majeure</p> <p>(Condition 52)</p> | <p>A prolonged Force Majeure termination right will arise if a prolonged Force Majeure event (excluding a Force Majeure resulting from a Change in Law), that first occurs between the Agreement Date and the Milestone Satisfaction Date, prevents or delays the development, construction, completion, testing or commissioning of the Facility for at least eighteen (18) months.</p> <p>If such circumstances arise, the LCHA Counterparty will have the right (but not the obligation) to terminate the LCHA while the prolonged Force Majeure event is still ongoing. A termination for prolonged Force Majeure will occur on a no-liability basis.</p> |

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| 7.6 | QCiL Termination and QCiL Compensation Termination (Condition 52) | <p>If a Qualifying Change in Law occurs which results in a QCiL Construction Event or a QCiL Operations Cessation Event (including a Qualifying Shutdown Event), then the LCHA Counterparty must terminate the LCHA.</p> <p>Further, the LCHA Counterparty will have the right (but not the obligation) to terminate the LCHA if a Qualifying Change in Law occurs (which does not constitute a QCiL Construction Event or a QCiL Operations Cessation Event) and the amount of QCiL Compensation that would otherwise be payable is greater than the amount of the QCiL Construction Event Payment/QCiL Operations Cessation Event Payment that would have been payable if such Qualifying Change in Law were to have constituted a QCiL Construction Event/QCiL Operations Cessation Event.</p> <p>If the LCHA terminates in either of these circumstances, it will occur on a no-liability basis, but each Party will remain liable for any obligation to pay any QCiL Compensation and QCiL True-Up Compensation.</p> |
| 8. | Other | |
| 8.1 | Collateral Requirement (Conditions 56 and 57) | <p>If the Producer fails to pay a Producer Net Payable Amount to the LCHA Counterparty on three (3) or more occasions in any twelve (12) Month period, the Producer is required to provide and maintain in place a specified amount of collateral for a specific period.</p> |
| 8.2 | Dispute Resolution Procedure (Part 11) | <p>Under the LCHA, disputes will be escalated to a meeting of senior representatives followed by final resolution by expert determination or arbitration.</p> <p>Disputes relating to metering must be brought within twenty (20) Months of the Billing Period in which the disputed day occurred and if they cannot be resolved by way of a meeting of senior representatives, must be referred to expert determination for resolution.</p> |
| 8.3 | Force Majeure Relief (Condition 70) | <p>The Producer is entitled to day-for-day extensions of time (pre-Start Date) and relief from performance of its LCHA obligations where a Force Majeure event occurs which is beyond the Producer's and its Representatives' reasonable control and which could not have been reasonably avoided or overcome by the Producer or its Representatives.</p> <p>Such protection will not be available where the relevant event is caused by the Producer's or its Representatives' fault or negligence, or where the relevant event occurred before the Agreement Date.</p> |
| 8.4 | Limited Recourse Arrangements (Condition 72) | <p>The LCHA will initially be tax payer funded, with a transition to levy funding taking place. See item 19 (<i>H₂ Levy Revenue Support Regulations</i>) for further detail on the levy transition.</p> |

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| 8.5 | Confidentiality (Part 13) | <p>The Parties agree that no provision of the LCHA will be considered to be confidential, and therefore either Party will be free to disclose any such provision. This will extend to the Project-specific provisions that are included in the front end agreement of the LCHA (excluding Information to be redacted pursuant to Annex 6 of the front end agreement).</p> <p>The LCHA Counterparty/Producer will not be permitted to disclose or make use of any Producer Confidential Information/LCHA Counterparty Confidential Information without the other Party's written consent, unless the LCHA Counterparty/Producer (as applicable) plans to use/disclose that information to fulfil one of the permitted purposes set out in the LCHA.</p> <p>Producer Confidential Information includes:</p> <ul style="list-style-type: none"> (a) all Information which is confidential or proprietary in nature and which relates to the Producer, the Facility or the Project; (b) any Information that is disclosed during negotiations in relation to whether a QCiL has in fact occurred or not; (c) any Information that emerges in relation to any negotiations, discussions and correspondence in connection with the LCHA; and (d) any Information received pursuant to the Offtaker Compliance Provisions which is confidential or proprietary in nature and which relates (directly or indirectly) to the Offtaker. <p>LCHA Counterparty Confidential Information includes all information relating to Government policy relevant to the LCHA which the Producer, or any of its representatives, receives in relation to the LCHA.</p> |
| 8.6 | Cyber Security (Condition 78) | <p>The Producer will be required to comply with laws and standards in relation to cyber security, including specified Cyber Security Standards (or an equivalent standard or accreditation agreed by the Parties, acting reasonably). As part of such obligations, the Producer will be required to implement and regularly test specified security measures to manage the risks posed to the security of relevant networks and data.</p> <p>Both the Producer and the LCHA Counterparty are required to use all reasonable endeavours to ensure that no Virus is introduced into any of the other Party's Information Systems. If a Virus has been introduced, the responsible Party is required to take specified steps at its own cost to minimise the impact of the Virus.</p> |
| 8.7 | LCHA Assignment and Stapling Obligation | <p>The Producer will not be permitted to transfer or assign its rights or obligations under the LCHA unless:</p> |

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| | (Condition 82) | <p>(a) it has obtained the LCHA Counterparty's prior written consent to such transfer/assignment; and</p> <p>(b) it transfers ownership of the Facility to the same transferee at the same time as the LCHA is transferred/assigned.</p> <p>Any transfer effected, or purported to be effected, in breach of this restriction will be ineffective and void and will give the LCHA Counterparty the right to terminate the LCHA.</p> <p>However, the Producer will be permitted to assign all (but not part only) of its rights and benefits under the LCHA by way of security to or in favour of (amongst other parties) a lender, by giving advance written notice to the LCHA Counterparty.</p> <p>A Change of Ownership to any person who has (amongst other things) been convicted of a criminal offence, has committed an act of grave misconduct in the course of its business, has failed to comply with its obligations relating to taxes or is subject to sanctions, is prohibited without the prior written approval of the LCHA Counterparty.</p> <p>The Producer must also provide the LCHA Counterparty with a KYC Notice in the event of any proposed or actual:</p> <p>(a) change of the Producer's legal name;</p> <p>(b) Change of Ownership;</p> <p>(c) transaction(s) that would result in Significant Common Ownership;</p> <p>(d) change of Ultimate Investor;</p> <p>(e) appointment of a director of the Producer; and/or</p> <p>(f) change of the Producer's legal jurisdiction.</p> |
| 8.8 | Direct Agreement (Condition 82 and Annex 5) | <p>The LCHA includes a form of lender direct agreement. This is a tripartite agreement entered into by a lender or security trustee on behalf of the lender(s), the Producer and the LCHA Counterparty.</p> <p>In order to be eligible to enter into a lender direct agreement with the LCHA Counterparty, the relevant entity must be a Lender or Affected Person (or an agent or security trustee of the affected person) with the benefit of first ranking security over all, or substantially all, of the assets of the Producer, and in whose favour the Producer assigns its rights under the LCHA.</p> <p>The lender direct agreement gives the relevant Lender, Affected Person or security trustee (as the case may be) the ability to step-in to cure any Producer breach of the LCHA which would otherwise give the LCHA Counterparty the right to suspend payments under, or terminate, the LCHA.</p> |

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| 8.9 | Boilerplate Provisions (Conditions 76 – 91) | The LCHA contains standard and miscellaneous provisions, including provisions relating to: (a) intellectual property rights; (b) marketing, publicity or communication; (c) notices; and (d) governing law. |
| 9. | Conditions Precedent (Annex 1) | |
| 9.1 | Annex 1 | Annex 1 (<i>Conditions Precedent</i>) outlines the Initial Conditions Precedent and Operational Conditions Precedent that the Producer must satisfy in accordance with the provisions described in items 2.2 (<i>Initial Conditions Precedent</i>) and 2.4 (<i>Operational Conditions Precedent</i>) above. |
| 10. | Testing Requirements (Annex 2) | |
| 10.1 | Commissioning Annex 2 | Annex 2 (<i>Testing Requirements</i>) outlines the procedure that the Producer is required to follow in order to Commission the Facility to demonstrate that it has satisfied the Operational Conditions Precedent / Longstop Date Commissioning Requirements and to demonstrate that the Facility can produce Hydrogen that is LCHS Compliant. This Annex includes the: (a) process for agreeing the performance test procedure; (b) duration of the performance test period; (c) performance test standards; and (d) Facility mode of operation during the performance test. |
| 11. | Calculation of Default Termination (Annex 3) | |
| 11.1 | Annex 3 | In the event that the LCHA Counterparty exercises its right to terminate the LCHA following a Producer default (see items 7.3 (<i>Producer Default Termination</i>) and 7.4 (<i>Consequences of Producer Default Termination</i>)), the Default Termination Payment will be calculated in accordance with the formula set out in Annex 3 (<i>Calculation of Default Termination</i>). |
| 12. | Change Control Procedure (Annex 4) | |
| 12.1 | Annex 4 | The LCHA Counterparty may issue an Amendment Notification to one or more Producer(s) setting out a proposed amendment to be made to one or more LCHA(s). The nature of the process will be dictated by the type of amendment that is being proposed, i.e. whether such amendment is categorised as a "Material Amendment" or "Technical Amendment". |
| 12.2 | Material Amendment | A Material Amendment is one which would (when taking together the net aggregate effect of all such amendments in the proposed |

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| | | <p>amendment) either: (i) adversely affect the Producer's revenues and/or costs (to the extent that such costs are not fully compensated under the LCHA); or (ii) adversely affect the overall balance of risks, benefits and liabilities of the Producer pursuant to the LCHA. The Relevant H₂ Levy Revenue Support Regulations Amendments are excluded from the definition of a Material Amendment.</p> <p>A Material Amendment must be agreed through bilateral negotiations between the Producer and the LCHA Counterparty. The Producer has twenty (20) Business Days, after receipt of the Amendment Notification in relation to a Material Amendment from the LCHA Counterparty, to confirm that it agrees with the proposed amendment or specify any objections. In the case of any objections from the Producer, the Parties must meet and negotiate in good faith to agree the proposed amendment within ten (10) Business Days after receipt of such objection notice.</p> |
| 12.3 | Technical Amendment | <p>A Technical Amendment is one which: (i) does not meet the definition of Material Amendment; (ii) is needed in order to correct a manifest error in the LCHA; or (iii) comprises the Relevant H₂ Levy Revenue Support Regulations Amendments (see item 19 (H₂ Levy Revenue Support Regulations)).</p> <p>A Technical Amendment can either be proposed/made in respect of one Producer's LCHA through bilateral negotiations, or proposed/made as a General Amendment that applies to all LCHAs.</p> <p>The Producer has twenty (20) Business Days, after receipt of an Amendment Notification in relation to a Technical Amendment from the LCHA Counterparty, to confirm that it agrees with the proposed amendment or specify any objections (which includes whether the Producer objects to the classification of the proposed amendment as a Technical Amendment). In the case of any objections from the Producer in relation to the classification of the proposed amendment as a Technical Amendment, the Dispute Resolution Procedure applies. To the extent any objection from the Producer does not contain an objection in relation to the classification of the proposed amendment as a Technical Amendment, the LCHA Counterparty shall consider such objections and may make such amendments to the proposed amendment as it deems appropriate having regard to such objections.</p> <p>A General Amendment is a Technical Amendment which the LCHA Counterparty proposes should be made to all LCHAs or to all LCHAs of a 'particular category', e.g. all electrolytic LCHAs. The same process (as described above in relation to bilateral Technical Amendments) applies to a Technical Amendment that is a General Amendment, except that all affected Producers will be deemed to agree with the relevant amendment (which will become binding on all such Producers) unless seventy five per cent (75%) or more in number of all Affected Parties give a</p> |

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| | | Technical Amendment Response Notification (which confirms their disagreement with such amendment) to the LCHA Counterparty within the Technical Amendment Response Period. |
| 13. | Form of Direct Agreement (Annex 5) | |
| 13.1 | Annex 5 | Annex 5 (<i>Form of Direct Agreement</i>) prescribes the form of Direct Agreement that the LCHA Counterparty will enter into if requested to do so by a Lender or Affected Person, in whose favour the Producer assigns its rights under the LCHA by way of security. |
| 14. | Data Collection and Monitoring Compliance (DCMP) (Annex 6) | |
| 14.1 | General Annex 6 | Annex 6 (<i>Data Collection and Monitoring Compliance with the LCHS</i>) includes an obligation on the Producer to prepare, and agree with the LCHA Counterparty, Data Collection and Monitoring Procedures (" DCMP "). The agreement of such DCMP is an Operational Condition Precedent. The agreed DCMP will specify: (i) detailed methodologies and procedures that will be used by the Producer on an ongoing basis to collate evidence and demonstrate LCHS Compliance from the Start Date; (ii) the data flows that will need to be provided by the Producer to the LCHA Counterparty; and (iii) the frequency of such data flows. |
| 14.2 | Compliance (Clause 3, Annex 6) | The DCMP contains monitoring, reporting and verification requirements to enable the LCHA Counterparty to assess whether the Producer is complying with the requirements of the LCHS. As part of the DCMP, the Producer is required to comply with specified monthly reporting requirements (with such reports to be accompanied by a Directors' Certificate) and annual audit requirements. |
| 14.3 | Enforcement (Clause 7, Annex 6) | The LCHA includes rights for the LCHA Counterparty to enforce compliance with the DCMP. These include: (a) rights to suspend payments in circumstances where (amongst other things) the Producer fails to provide access to the Facility/personnel where the LCHA Counterparty is assessing compliance with the DCMP, or if the Producer fails to provide a Monthly LCHS Report; and (b) rights to terminate the LCHA in circumstances where there is a prolonged failure to provide the access referred to in paragraph (a) above, or information provided by the Producer pursuant to the DCMP is misleading. Further, if an auditor or the LCHA Counterparty determines that a consignment of Hydrogen produced by the Hydrogen Production Plant has not complied with the LCHS where payment in respect of such consignment has already been made, a reconciliation process applies. |
| 14.4 | LCHS – Grandfathering | The Producer is required to comply with the version of the LCHS specified in the front end agreement of the LCHA (the " LCHS ") |

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| | (Condition 51) | Agreed Version). The LCHA does not require the Producer to comply with amendments to the LCHS (other than amendments to the LCHS Data Annex) after the Agreement Date. |
| 15. | Form of Supply Chain Report (Annex 7) | |
| 15.1 | Annex 7 | Annex 7 (<i>Form of Supply Chain Report</i>) prescribes the form of Supply Chain Report that the Producer is required to prepare and submit to the LCHA Counterparty pursuant to the LCHA. |
| 16. | Form of Invoice (Annex 8) | |
| 16.1 | Annex 8 | Each Offtaker Invoice issued by the Producer to Relevant Offtakers must be substantially in the form set out in Annex 8 (<i>Form of Invoice</i>). |
| 17. | Metering Operational Framework and Technical Specifications (Annex 9) | |
| 17.1 | Metering Operating Framework Annex 9 | Annex 9 (<i>Metering Operational Framework and Technical Specifications</i>), requires the Producer to ensure that all Meter Measurement Systems comply with certain generic metering requirements and that each of the hydrogen, electricity and water meters comply with specific technical specifications. |
| 17.2 | General (Part A, Annex 9) | Part A of Annex 9 sets out: (i) general requirements in relation to the installation, commissioning, operation and maintenance of all Meter Measurement Systems; (ii) the Producer's responsibilities in relation to the ownership and use of metered data; and (iii) when Measurement Uncertainty Assessments must be carried out. |
| 17.3 | Technical Assurance (Part B, Annex 9) | Part B of Annex 9 sets out the LCHA Counterparty's rights to appoint a Technical Assurance Agent who may conduct audits of the relevant Meter Measurement Systems in certain circumstances, including where the LCHA Counterparty has reason to suspect Inaccurate Measurement Data. |
| 17.4 | Operations (Part C, Annex 9) | Part C of Annex 9 sets out the Producer's obligations in relation to: (i) the installation, calibration and commissioning of Meter Measurement Systems; (ii) the identification and reporting of faults; and (iii) the Producer's obligations in respect of carrying out Proving Tests. |
| 17.5 | Technical Specifications (Part D, Annex 9) | There are bespoke Technical Specifications set out in Part D of Annex 9 in respect of each of the Meter Measurement Systems. These define the specific requirements of each such Meter Measurement System, including where such Meter Measurement Systems are to be located and the types and quality of data that such Meter Measurement Systems must record. The relevant Technical Specifications also define what constitutes Invalid Reporting Units and the consequences for the Producer where Invalid Reporting Units arise. |
| 17.6 | Hydrogen Metering Points | The Producer is required to install meters to measure the Hydrogen produced by the Hydrogen Production Plant. The |

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| | (Section 1 of Part D, Annex 9) | <p>Producer must ensure that a Hydrogen Meter Measurement System is installed:</p> <ul style="list-style-type: none"> (a) on the Site boundary (the “Site Boundary Meter”); (b) if Hydrogen is to be transferred to non-pipeline transport On-site, at each such transfer point (an “On-site Hydrogen Transfer Meter”); (c) if On-site Storage is used, immediately upstream of the On-site Storage (the “Production Meter”); and (d) if Off-site Hydrogen Storage Infrastructure is used, immediately downstream of any processing or compression of Hydrogen at the exit of such Off-site Hydrogen Storage Infrastructure. <p>Meter data collected by the Hydrogen Meter Measurement System(s) is used to verify quantities of Hydrogen reported in the PIN and determine LCHS Compliance.</p> |
| 18. | Low Carbon Hydrogen Certification (Annex 10) | |
| 18.1 | Annex 10 | <p>The Producer is required to notify the LCHA Counterparty if it intends to participate in a Certification Scheme, with such notice to include, amongst other things, details of: (i) the relevant Certification Scheme; (ii) the proposed date of participation; and (iii) how the Producer may receive any revenue as a result of participating in the Certification Scheme.</p> <p>If the LCHA Counterparty does not object to the Producer participating in the Government Certification Scheme or consents to the Producer participating in an Other Certification Scheme (as applicable) in accordance with the relevant notification procedure, then the Producer will be entitled to participate in such scheme, subject to any conditions that apply to the Producer's participation (which the LCHA Counterparty may specify, acting reasonably).</p> <p>The Producer is also required to notify the LCHA Counterparty where it:</p> <ul style="list-style-type: none"> (a) becomes aware of any fact, matter or circumstance which will or is reasonably likely to affect the accuracy of the information previously provided to the LCHA Counterparty in respect of a Certification Scheme (following which, the LCHA Counterparty may withdraw consent to or specify additional conditions on the Producer's participation in such scheme); (b) becomes registered or accredited for a Certification Scheme; or (c) ceases to be registered or accredited for or ceases to participate in a Certification Scheme. |

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| | | The LCHA Counterparty may also, at any time, notify the Producer of any Acceptable Certification Schemes in which the Producer is automatically entitled to participate (subject to any conditions (acting reasonably) to participation specified in such notice). |
| 19. | H₂ Levy Revenue Support Regulations (Annex 11) | |
| 19.1 | Relevant H ₂ Levy Revenue Support Regulations Amendments | If a hydrogen levy is introduced which satisfies the Relevant H ₂ Levy Revenue Support Regulations Conditions, then the LCHA Counterparty may issue a Technical Amendment. Such amendment will introduce limited recourse provisions (which are based on the precedent drafting in the Contracts for Difference (CfD) for renewable electricity) to reflect the hydrogen levy. |
| 19.2 | Relevant H ₂ Levy Revenue Support Regulations Conditions | <p>The Relevant H₂ Levy Revenue Support Regulations Conditions are that:</p> <ul style="list-style-type: none"> (a) the hydrogen levy regulations have come into force; (b) such regulations are substantially consistent with the Relevant H₂ Levy Revenue Support Regulations Principles; and (c) funding is available to the LCHA Counterparty pursuant to such regulations to allow the LCHA Counterparty to make payments under the LCHA which are funded pursuant to such regulations. |
| 19.3 | Relevant H ₂ Levy Revenue Support Regulations Principles | <p>The Relevant H₂ Levy Revenue Support Regulations Principles are that:</p> <ul style="list-style-type: none"> (a) obligations apply to Relevant Market Participants to make payments to a Hydrogen Levy Administrator, including for the purposes of enabling the LCHA Counterparty to make payments under UKLCH Programme LCHAs; (b) obligations apply to Relevant Market Participants to provide financial collateral and/or advance payments to a Hydrogen Levy Administrator; and (c) a duty applies to a Hydrogen Levy Administrator to collect sums due by Relevant Market Participants and enforce rights against Relevant Market Participants in respect of such sums. |
| 20. | Gas Reference Price Review (Annex 12) | |
| 20.1 | GRP Principles Review | <p>The LCHA Counterparty will conduct a GRP Principles Review if:</p> <ul style="list-style-type: none"> (a) the Gas Price Source ceases to be available to the LCHA Counterparty; (b) the Gas Price Source ceases to be available to the LCHA Counterparty on commercially reasonable terms; |

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| | | <p>(c) no Gas Reference Price is capable of being calculated for a period of ten (10) consecutive Business Days;</p> <p>(d) the volume of Month Ahead Natural Gas Contracts in respect of gas to be delivered within Great Britain reflected in each Gas Price Source is nil in any ten (10) Business Day sample period;</p> <p>(e) the splitting of the Great Britain gas market has been proposed or effected by the relevant Competent Authority; or</p> <p>(f) thirty per cent (30%) or more of Producers by volume (calculated using the LCHA Sales Cap in each relevant UKLCH Programme LCHA) or number have requested a GRP Principles Review.</p> <p>The LCHA Counterparty may also conduct a GRP Principles Review if it determines that the Gas Reference Price does not reflect the market price for the sale of gas delivered within Great Britain.</p> |
| 20.2 | GRP Mechanism Amendment | If a GRP Principles Review is conducted, the LCHA Counterparty will assess whether the current calculation of the Gas Reference Price is compliant with the GRP Principles and if not, the changes required to achieve such compliance (including a replacement Gas Price Source). |
| 21. | Annual Audit Reports (Annex 13) | |
| 21.1 | Annex 13 | <p>Each year, the Producer is required, at its own cost and expense, to appoint an Auditor to carry out an Annual Audit and prepare specified Annual Audit Documents. The relevant Auditor must have no conflict of interest which prevents it from carrying out such audit.</p> <p>The Producer may appoint an Auditor who sub-contracts or delegates the preparation of the LCHA Compliance Audit Report, provided that the Producer will not be relieved of any of its obligations under the LCHA or any other LCHA Document in respect of the acts and omissions of the sub-contractor/delegate.</p> <p>Part A of Annex 13 sets out the general requirements which apply to:</p> <p>(a) the appointment of the Auditor by the Producer; and</p> <p>(b) the methodology which the Producer must instruct the Auditor to comply with, including, but not limited to: (i) the assessment of the verification risk; (ii) the verification of specific data; (iii) conducting Site visits; and (iv) carrying out substantive testing.</p> |

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| | | <p>Part B and Part C specify the requirements of the Annual Compliance Audit Report and the LCHS Compliance Audit Report. These include, but are not limited to, that the relevant report must:</p> <ul style="list-style-type: none"> (a) contain a detailed narrative of the information collected during the audit; (b) be prepared in accordance with the requirements in respect of reasonable assurance engagements prescribed in ISAE 3000 (or an equivalent standard); and (c) be in form and content satisfactory to the LCHA Counterparty (acting reasonably). <p>Part B and Part C also set out the specific confirmations that the Auditor must provide in respect of whether or not the Producer has complied with its key obligations under the LCHA during the relevant Fiscal Year.</p> |
| 22. | Pro Forma Notices (Annex 14) | |
| 22.1 | Annex 14 | <p>If either the Producer or the LCHA Counterparty is required to give a notice to the other Party pursuant to the LCHA, such notice must be substantially in the form set out in Annex 14 (<i>Pro forma notices</i>).</p> |