

## Call-Off Schedule 20 (Call-Off Specification)

1. This Schedule sets out the characteristics of the Deliverables that the Supplier will be required to supply to the Buyer under the Call-Off Contract.

### **Introduction and background to the requirement**

2. The Department for Energy Security and Net Zero (DESNZ) is seeking to appoint legal advisers to support an ongoing programme of work to enable the deployment of low carbon hydrogen production during the 2020s and beyond in the UK.

3. Low carbon hydrogen is a critical component of our strategy to deliver energy security, drive economic growth and support net zero. The Climate Change Committee (CCC) and Independent Review of Net Zero emphasise the key role that low carbon hydrogen can play in delivering a net zero economy as a versatile replacement for high-carbon fuels used today. It has the potential to help to bring down emissions in vital UK industrial sectors and provide flexible energy for power, heat, and transport. To reach the scale and cost reductions required to help deliver net zero, we are supporting multiple production routes, including CCUS-enabled and electrolytic hydrogen. As the CCC notes, natural gas will be needed to support hydrogen production for the net zero transition.

4. Hydrogen is one of a handful of new low carbon solutions which can help the UK to achieve its world-leading emissions reductions target for CB6, and net zero by 2050. As set out in the Prime Minister's Ten Point Plan for a Green Industrial Revolution and the British Energy Security Strategy, working with industry, Government's ambition is to achieve up to 10GW of low carbon hydrogen production capacity by 2030 subject to affordability and value for money for use across the economy.

5. The 2020s are critical for supporting energy users best suited to hydrogen as a low carbon solution to get ready to use it, including transport and storage of hydrogen. The UK Hydrogen Strategy package provides more detail on the UK Government's approach and includes measures relevant to this procurement exercise. This is critical to the delivery of the 2030 10GW production ambition and ensuring that the UK is ready for the step-change needed in low carbon hydrogen production in the 2030s to help meet our CB6 commitments and put the country on a pathway to net zero. As described in the latest Hydrogen Strategy Update to the Market in December 2023 the transformation of the UK energy sector is well underway, with hydrogen envisaged to play an increasingly important role during and after the transition.

6. The successful supplier will mainly support DESNZ in the ongoing development, finalisation, updating and allocation of the hydrogen business models, Low Carbon Hydrogen Standard and regulatory frameworks.

### **Requirement**

7. This contract will be divided into Work Packages that will be scoped out in detail throughout the length of the Call-Off Contract and commissioned as per the Call-Off arrangement. The below requirements indicate the workstreams expected, but some flexibility is necessary as new requirements may be identified, or the work may not be guaranteed. Outputs will be required in a variety of formats and may include but are not limited to drafting of legal text, reports, presentations and contributions to drafting public facing documents. Advisors will be required to work closely with DESNZ legal teams, delivery partners and counterparties and other external advisors including technical and commercial advisors.

8. Legal expertise is required to support the overarching design and allocation of the hydrogen business models and hydrogen distribution & storage. The work programme will enable the deployment of low carbon hydrogen production during the 2020s and beyond. This phase of work will be used to help scope and design the potential programme of activity needed to deploy low carbon hydrogen production in the UK, but also allocation of business models and funding. This includes, but is not limited to:

- Identifying and advising on the legal and regulatory requirements and commercial/contractual structures required to enable the delivery of the proposed business models;
- Advising on any interim measures that may be needed to facilitate the early deployment of low carbon hydrogen during the 2020s, including how recipients of funding should be properly identified in a way that minimises legal risk; and
- Working collaboratively with DESNZ Legal and any other Government lawyers or external lawyers working on CCUS, carbon transport and storage or any other cross-cutting policy areas.

9. Currently, legal support required may include, but is not limited to advice on the following Work Packages:

### **Hydrogen Production Business Model**

Legal support may include but is not limited to:

- Continual development of the commercial terms of the Low Carbon Hydrogen Agreement (LCHA) for the new allocation rounds including the drafting of standard terms for future more price-based allocation rounds;
- Revise and update the LCHA as needed, for example blending and non-pipeline transport and other financial, legal, technical and policy design questions;
- Update contracts and terms as necessary following negotiations;
- Ensuring integration with other schemes as necessary, such as Low Carbon Hydrogen Standard (LCHS) and Hydrogen Certification;
- Identifying legal and commercial risks related to policy decisions;
- Translating policy decisions into a contract;
- Advising on matters relating to the contract counterparty (or any new institutions, or enhanced existing institutions) in their role of facilitating the programme, such as relevant documentation or funding reassurance;
- Supporting internal lawyers with strategic subsidy control planning and any applications;
- Advising on funding structures for the business model;
- Supporting the provision of advice on planning and consent requirements (onshore and offshore), domestic, European and international as appropriate.

## **Hydrogen Production Business Model Allocation**

Legal support may include but is not limited to:

To support current and future hydrogen allocation rounds including due diligence and negotiations with industry, for both CCUS-enabled and non CCUS-enabled hydrogen production:

- Providing explanations of contractual drafting and rationale as required;
- Providing advice on the implications and drafting of any potential alterations to contract terms as a result of negotiation;
- Supporting in the production of a draft contract populated with negotiated terms;
- Support in checking projects can satisfy the Key Project Document Initial Conditions Precedent of the LCHA ahead of contract signature.
- Finalising contracts to be signed based upon negotiated positions.

Currently, HMG propose to allocate business model funding to successful hydrogen projects by way of bilateral negotiations (following initial evaluation against eligibility and assessment criteria). In time, the aim is to allocate support using a more price-based competitive process. The legal support may also be required to support the transition to price-based competitive allocation including but is not limited to:

- Advising on the detailed responsibilities of any new institutions (or enhanced existing institutions) which are developed or modified to facilitate the programme, such as for the establishment of the hydrogen production allocation body, and any relevant documentation required for this;
- Supporting internal lawyers with drafting and enacting any necessary modifications to regulatory regimes, including through legislation and licensing requirements;
- Advising on and drafting any modifications of standard terms requested by projects for price-based allocation rounds.

## **Hydrogen Storage Business Model (HSBM) Contract Development**

Legal support may include but is not limited to:

- Support the team to consider overall design of the commercial HSBM contract to ensure the contract aids the development of the hydrogen market, and the broader energy market within the timeframes set publicly (business model designed by 2025);
- Develop the commercial contract for the HSBM to incentivise private sector investment in hydrogen storage, learning lessons from other contracts, within the timeframe set out publicly;
- Draft interim documents to support development of the contract as well as feedback from industry. Interim documents include indicative heads of terms, and final heads of terms ahead of the final contract;
- Legal due diligence on the HSBM e.g. corporate structure, ownership, contracts, litigation etc;
- Advise on, drafting and supporting the heads of terms, contract, strategy and other related documentation;
- Continue to revise and update the HSBM as needed, including on financial, legal, technical and policy design questions;
- Identify legal and commercial risks related to policy decisions, and suggest mitigations;

- Advise on the detailed responsibilities of any new institutions (or enhanced existing institutions) which are developed or modified to facilitate the programme, such as for the establishment of the contract counterparty, and any relevant documentation required for this;
- Support internal lawyers with strategic subsidy control planning and any applications.

## **Hydrogen Storage Business Model Commercial Engagement**

Legal support may include but is not limited to:

Currently, HMG propose to allocate business model funding to successful hydrogen storage projects by way of bilateral negotiations (following initial evaluation against eligibility and assessment criteria). The plan is to develop the approach to allocation in parallel to the development of the contract. The legal support required may include but is not limited to:

- Advice, including procurement advice, in the allocation process from early stages such as market engagement through to ultimate contract award. This process would run in parallel to the development of the commercial contract;
- Revise and update the contract as needed following feedback from industry/prospective storage facilities at each interim stage of developing the contract;
- Advising on, drafting and supporting the negotiation of project agreements and related documentation;
- Legal due diligence on selected projects e.g. corporate structure, ownership, contracts, litigation etc;
- If required, advisers may be required to provide legal advice on project negotiations associated with storage facility partners (e.g. those providing pipeline infrastructure).

## **Hydrogen Transport Business Model**

Legal support may include but is not limited to:

- Advising on the detailed design work, and commercial contractual arrangements, of the business model proposed, including appropriate risk sharing and risk transfer mechanisms;
- Supporting DESNZ Legal and any other Government lawyers or external lawyers with drafting and enacting any necessary modifications to regulatory regimes, including through legislation and licence provisions;
- Advising on the development of, and necessary modifications to, industry codes and associated documents such as connection agreements (such work may include drafting relevant documentation and/or modifications);
- Advising on any interim measures that may be needed to facilitate the early deployment of initial networks during the 2020s;
- Advising on how recipients of funding should be properly identified in a way that minimises legal risk, potentially whilst enduring business models are being established;
- Drafting of template commercial contracts and any other relevant documentation, such as detailed Heads of Terms and Terms & Conditions, including future drafting revisions as needed, for example blending and non-pipeline transport;
- Working collaboratively with DESNZ Legal and any other Government lawyers or external lawyers as well as commercial and technical advisers appointed by DESNZ

working on hydrogen, CCUS, carbon transport and storage or any other cross-cutting policy areas, in particular to help ensure integration of the Hydrogen Transport Business Model with other schemes as necessary, such as the Low Carbon Hydrogen Standard (LCHS) and Hydrogen Certification;

- Advising on the application of existing legislation, rules and regulations to hydrogen networks, including users of those networks;
- Advising on the detailed responsibilities of any new institutions (or enhanced existing institutions) which are developed or modified to facilitate the programme, such as for the establishment of the contract counterparty, and any relevant documentation required for this;
- Identifying and advising on the legal and regulatory requirements required to facilitate the deployment of hydrogen networks alongside other networks including CCUS, gas and electricity;
- Supporting internal lawyers with strategic subsidy control planning and any applications;
- Advising on funding structures for the business model;
- Supporting the provision of advice on planning and consent requirements (onshore and offshore), domestic, European and international as appropriate;
- Advice, including procurement advice, to support competitions or direct awards as appropriate, in particular to facilitate the deployment of hydrogen networks, including in parallel to the implementation of the business model;
- Advising on, drafting and supporting the negotiation of project agreements and related documentation;
- Legal due diligence on selected projects e.g. corporate structure, ownership, contracts, litigation etc;
- Advisory and drafting support on design and delivery of grant funding;
- Drafting grant funding arrangements to support hydrogen transport projects and to work both individually and synchronously, i.e. where projects are in receipt of funding through a grant and a Hydrogen Business Model;
- Supporting grant administrators on ad-hoc issues that may arise post grant award.

## **Hydrogen Regulatory Frameworks, including Strategic Planning**

Legal support may include but is not limited to:

- Advising on the application of existing legislation, rules and regulations to hydrogen (both economic and non-economic), and potential interactions and interfaces with legislation and rules applying to different parts of the hydrogen value chain and/or applying to co-located infrastructure, (e.g. renewable electricity generation). This is not limited to specific regulatory areas or geographical regions in the UK;
- Identifying and advising on the legal and regulatory requirements and commercial/contractual structures required to facilitate the production, transportation, storage or use of hydrogen, alongside other networks including CCUS, gas and electricity;
- Supporting internal lawyers with identifying, drafting and enacting any necessary modifications to regulatory regimes, including through legislation and licensing requirements;
- Advising on commercial contractual arrangements to deliver hydrogen networks and storage;

Identifying and advising on legal, regulatory and licensing requirements and implications of strategic planning for hydrogen transport and storage infrastructure, including in relation to defining roles and responsibilities of the Future System Operator in this area.

### **Cluster Sequencing and Other Hydrogen Schemes (if required)**

- Advising on the development and allocation of the Industrial Carbon Capture business model, including supporting on issues associated with commercial engagement and negotiations of CCUS projects;
- Supporting on development and allocation of other cluster sequencing models such as power carbon capture and CO2 transport and storage;
- Supporting the development and allocation of the Greenhouse Gas Removals business model, and project assessment and negotiation for business model support of GGR projects.
- Net Zero Hydrogen Fund (NZHF)
- Hydrogen Supply Chains
- Hydrogen to Power Business Model
- Hydrogen Levy

### **Certification Scheme (if required)**

*Note: The Certification Scheme will require a Terms of Use document for users to agree to before registering for the scheme. The Terms of Use document will include details on the conditions of joining the scheme, consequences of non-compliance, info on data obligations and details on scheme fees.*

- Draft, develop and finalise the Terms of Use document for the Certification Scheme.
- Ensuring the Terms of Use document integrates the Low Carbon Hydrogen Standard (LCHS), (the standard the scheme is certifying to).
- Ensuring the Terms of Use document integrates with other schemes/policies as necessary, such as the Hydrogen Production Business Model (HPBM).

### **Adding Work Packages to the Call-Off Contract**

10. Work Packages shall be added to this Call-Off Contract using the Tasking Form template at Annex A to this Call-Off Schedule 20 (Call-Off Specification) and shall be priced using the Supplier's rate card as specified in Call-Off Schedule 5 – Pricing Details to this Call-Off Contract.

### **Price**

11. The Maximum Price for the initial Contract Period (3 years) of this Call-Off Contract shall not exceed **£7,000,000 (Ex VAT)**.

12. The Maximum Price for the optional Contract Extension Period shall not exceed a further **£1,500,000 (Ex VAT)** should the Buyer decide to unilaterally exercise its Contract Extension Period option.

13. For the avoidance of doubt, the Maximum Price for the initial 3-year Contract Period with the Contract Extension Period shall not exceed **£8,500,000 (Ex VAT)**.

14. For the avoidance of doubt, the Buyer does not warrant or guarantee that a specific number of Work Packages will be added to this Call-Off Contract and does not warrant or guarantee that all of the Maximum Price (budget) shall be paid to the Supplier.

15. Each Work Package shall be individually agreed between the Buyer and Supplier as and when required and shall be priced using the Tasking Form template at Annex A to Call-Off Schedule 20 (Call-Off Specification) using the Rate Card specified in Call-Off Schedule 5 (Pricing Details).

#### **KPIs and Service Levels**

16. The Key performance Indicators (KPIs) and required Service Levels that shall apply to this Call-Off Contract are specified in Call-Off Schedule 14 (Service Levels).

# Call-Off Schedule 20 (Call-Off Specification) - Annex A

## Work Package Tasking Form (Template)

|   |                  |                 |                               |
|---|------------------|-----------------|-------------------------------|
| <div style="border: 2px solid black; padding: 10px; text-align: center; margin: 10px auto; width: 50%;">TITLE</div>                 |                  |                 |                               |
| <b>Advisor</b>  |                  |                 |                               |
| <b>Reference</b> (to be completed by PMO)   |                  |                 |                               |
| <b>Work Package Owner</b><br>(main person responsible for liaising with PMO team & advisor, verifying spend)                        |                  |                 |                               |
| <b>Other Contributors</b>   |                  |                 |                               |
| <b>Analyst/Legal Review</b>   |                  | Choose an item. | Click or tap to enter a date. |
| <b>SCS Clearance</b> (once WP has been costed by advisor)   |                  |                 | Click or tap to enter a date. |
| <b>Duration of Work Package</b>   | <b>Date From</b> | <b>Date To</b>  |                               |
|   |                  |                 |                               |
|   |                  |                 |                               |
| <b>DESCRIPTION</b>  |                  |                 |                               |
| <i>[can include Ask/Scope, Questions, Methodology/Approach, Materials to use etc]</i>   |                  |                 |                               |
| <b>INTERDEPENDENCIES</b>  |                  |                 |                               |
| <i>[which pieces of work will feed into this or this feed into? Which hydrogen or other teams will feed into or use this work?]</i> |                  |                 |                               |
| <b>CONSTRAINTS</b>  |                  |                 |                               |
| <i>[what are the constraints within DESNZ for this piece of work? Why are advisors required?]</i>                                   |                  |                 |                               |



# Call-Off Schedule 20 (Call-Off Specification) - Annex A

## Work Package Tasking Form (Template)

### BACKGROUND

*[more detail on the work done to date, context, relevant documents etc]*

### ASSUMPTIONS

*[e.g. programme milestones detailed below are maintained, DESNZ will review drafts in time for the below delivery deadlines to be met, DESNZ will produce provide work for review by...]*

### WORK PACKAGE DELIVERABLES

| DESCRIPTION | FORMAT | FOR PUBLICATION? | DATE <i>(Estimate if not known)</i> |
|-------------|--------|------------------|-------------------------------------|
|             |        |                  | Click or tap to enter a date.       |
|             |        |                  | Click or tap to enter a date.       |
|             |        |                  | Click or tap to enter a date.       |
|             |        |                  | Click or tap to enter a date.       |

### MILESTONES

This work package contributes to the key programme milestones of:

| DESCRIPTION | DATE <i>(Estimate if not known)</i> |
|-------------|-------------------------------------|
|             | Click or tap to enter a date.       |
|             | Click or tap to enter a date.       |
|             | Click or tap to enter a date.       |

# Call-Off Schedule 20 (Call-Off Specification) - Annex A

## Work Package Tasking Form (Template)

|  |                               |
|--|-------------------------------|
| <b>COST BREAKDOWN</b> (to be completed by advisor)       |                               |
|  |                               |
| <b>ANY ADDITIONAL INFORMATION</b>                        |                               |
|  |                               |
| <b>ANY ADVISOR COMMENTS</b>                              |                               |
|  |                               |
| <b>FINALISED: ADVISORS SENT CONFIRMATION TO PROCEED.</b> | Click or tap to enter a date. |