

Hydrogen Energy Supply Chain Project – Preliminary Investment Plan

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule

Parties	Commonwealth State of Victoria or the 'State'
Duration	This Schedule is expected to expire on 30 June 2025.
Purpose	<p>This Schedule will support the preliminary investment plan and partial scale up of the recently concluded Hydrogen Energy Supply Chain (HESC) Pilot project.</p> <p>The world-first HESC Project, commenced in 2018, aims to safely produce and transport clean liquid hydrogen from Victoria's Latrobe Valley to Kobe, Japan. The HESC Project will present a sustainable solution for the abundant brown coal reserves in the Latrobe Valley and is an opportunity to develop a new hydrogen industry, with strong export and domestic potential.</p> <p>The Hydrogen Energy Supply Chain (HESC) Pilot Project was successfully completed in February 2022 with the arrival of the Suiso Frontier in Kobe, Japan with a load of liquefied hydrogen extracted from Latrobe Valley coal. This achievement proved the HESC Project's technical viability and the basis for Project Partners to progress creating a Liquefied Hydrogen Supply Chain Commercial Demonstration Project between Victoria and Japan.</p> <p>The preliminary investment plan will enable further testing and refinement of the HESC technology and supply chain operations. The Schedule will also support the development of feasibility studies to inform a decision to proceed with a Front-End Engineering Design Study for a HESC commercial demonstration project.</p> <p>The HESC will be progressed by two separate but coordinated consortia:</p> <ul style="list-style-type: none"> • The Hydrogen Supply Party (HSP) comprising of J-POWER and Sumitomo, will be progressing work to assess feasibility, and understand subsequent FEED studies to progress to a Final Investment Decision (FID) for the hydrogen production facility in the Latrobe Valley, Victoria. • Japan Suiso Energy Co. (JSE) will be undertaking work on FEED and associated activities to progress to FID on the hydrogen liquefaction and loading terminal at the port of Hastings, Victoria.

	The Australian and Victorian Governments are providing funds to the Australian portion coordinated by J-POWER and Sumitomo.																
Estimated financial contributions	<p>The Commonwealth will provide an estimated total financial contribution to the States of \$7.5m, in respect of funding as described in Table 2 of this Schedule.</p> <table border="1" data-bbox="395 461 1442 855"> <thead> <tr> <th data-bbox="400 468 1023 577">Table 1 (\$ million)</th> <th data-bbox="1027 468 1195 577">2023-2024</th> <th data-bbox="1200 468 1310 577">2024-2025</th> <th data-bbox="1315 468 1437 577">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="400 584 1023 667"><i>National Partnership Payments</i></td> <td data-bbox="1027 584 1195 667">3.75</td> <td data-bbox="1200 584 1310 667">3.75</td> <td data-bbox="1315 584 1437 667">7.5</td> </tr> <tr> <td data-bbox="400 674 1023 757"><i>Balance of non-Commonwealth contributions</i></td> <td data-bbox="1027 674 1195 757">3.75</td> <td data-bbox="1200 674 1310 757">3.75</td> <td data-bbox="1315 674 1437 757">7.5</td> </tr> <tr> <td data-bbox="400 763 1023 846">Estimated total budget</td> <td data-bbox="1027 763 1195 846">7.5</td> <td data-bbox="1200 763 1310 846">7.5</td> <td data-bbox="1315 763 1437 846">15</td> </tr> </tbody> </table>	Table 1 (\$ million)	2023-2024	2024-2025	Total	<i>National Partnership Payments</i>	3.75	3.75	7.5	<i>Balance of non-Commonwealth contributions</i>	3.75	3.75	7.5	Estimated total budget	7.5	7.5	15
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Additional terms	<p>Governance Arrangements (Trilateral dialogue)</p> <ul style="list-style-type: none"> a. The Parties agree to establish a regular trilateral dialogue with Commonwealth, State and Japanese government representation as a means to share information and provide updates from respective parties regarding the progress of the project. <ul style="list-style-type: none"> I. Timing, frequency, and level of representation to be agreed by relevant parties after FFA has been signed. b. Within their scope of monitoring – the Victorian Government aims to: <ul style="list-style-type: none"> I. hold progress meetings (if possible on a monthly basis) with the HSP and the JSE that support Milestone 1 and 2 objectives II. hold senior bi-annual steering committee meetings (tri-partite forum) with JSE and HSP (supporting Milestone 1 objectives). 																

DEPARTMENT OF CLIMATE CHANGE, ENERGY, THE ENVIRONMENT AND WATER

Table 2: Performance requirements, reporting and payment summary			
Output	Performance milestones	Reports and evidence due	Payment
Milestone 1			
Delivery of reports on preliminary activities to assess the feasibility of the pre-commercialisation phase.			
<p>a. <u>Hydrogen Service Provider (HSP)</u></p> <p>Completion of feasibility stage.</p> <p>This includes feasibility studies, finalized conceptual plan, business model and OPEX and CAPEX costings, and delivery of a report to assess the feasibility of the hydrogen production facility in the Latrobe Valley, Victoria.</p>	<p>Completing and providing reports and evidence of the following work:</p> <ul style="list-style-type: none"> • Feasibility studies for the hydrogen production facility in the Latrobe Valley and pipeline from the point of production to the port of Hastings, Victoria. • Finalised conceptual plan, business model and costings for OPEX and CAPEX including cost risk analysis and report. • Regulatory approvals pathways study/status of regulatory approvals (if applicable at end of feasibility) • Status of negotiations with off-takers and CO₂ sequestration providers • Project delivery plan including communication and stakeholder plan. • Detailed execution schedule • Demonstrated evidence of payment for feasibility studies 	<p>30/4/2024</p>	<p>\$3.75 million</p>
<p>b. <u>Japan Suiso Energy (JSE)</u></p> <p>Status update on Front End Engineering Design (FEED) and associated activities to progress to a Final Investment Decision (FID) on the hydrogen liquefaction and loading terminal at the port of Hastings, Victoria.</p>	<p>Report on the status of the following areas:</p> <ul style="list-style-type: none"> • Engineering design studies. • Regulatory approvals. • Negotiations with HSP to secure hydrogen supply • Timelines to FID 		<p>Nil (Funded through Japan's Green Innovation Fund)</p>

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	<p>Progress reports are to be provided by the JSE to the Victorian Government, who will then pass a copy of these to the Commonwealth Government.</p>		
<p>Milestone 2 Delivery of reports on final activities to assess the feasibility of the pre-commercialisation phase.</p>			
<p>a. <u>Hydrogen Service Provider (HSP)</u></p> <p>Decision to undertake FEED studies to progress to an FID for the hydrogen production facility in the Latrobe Valley, Victoria.</p> <p>This is a separate aspect of the HESC project to JSE, with separate FEED studies outlined to progress components at the hydrogen production facility in Latrobe Valley.</p>	<p>Completion of the following work:</p> <ul style="list-style-type: none"> • Completion of the project delivery plan, with a copy of the plan provided to the Commonwealth. • FEED project delivery plan evidenced through reports with the HSP (reporting mechanisms) including: <ul style="list-style-type: none"> ○ Details of project structure and governance. ○ List of further studies to be undertaken – For the H₂ production facility in Latrobe Valley. ○ Detailed FEED schedule and cost estimates ○ FEED funding plan/plan for co-contribution 	<p>31/10/2024</p>	<p>\$3.75 million</p>
<p>b. <u>Japan Suiso Energy (JSE)</u></p> <p>Status update on Front End Engineering Design (FEED) and associated activities to progress to a Final Investment Decision (FID) on the hydrogen liquefaction and loading terminal at the port of Hastings, Victoria.</p>	<p>Status update on the following areas:</p> <ul style="list-style-type: none"> • Engineering design studies. • Regulatory approvals. • Negotiations with HSP to secure hydrogen supply • Timelines to progress FID – At the port of Hastings site. <p>These progress reports are to be provided by JSE to the Victorian Government, who will then pass a copy of these to the Commonwealth Government</p>		<p>Nil (Funded through Japan's Green Innovation Fund)</p>

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The Parties have confirmed their commitment to this schedule as follows:

Signed for and on behalf of the Commonwealth
of Australia by



The Honourable Chris Bowen MP
Minister for Climate Change and Energy

Date: 04/12/23

Signed for and on behalf of the
State of Victoria by



The Honourable Tim Pallas MP
Victorian Treasurer

Date: 25/03/2024