

H2Global
Term Sheet: Hydrogen Purchase Agreements (Draft 7 July 2022)
Work in Progress / Subject to Alignment with BMWK

#	Topic	Key Terms	Explanation
1.	Background		<p>H2Global is a support scheme designed to facilitate the market ramp-up of renewable hydrogen and its derivatives. H2Global aims to incentivize investments in production capacities for renewable hydrogen in countries outside of the EU and with off-takers based within the EU. Under the scheme, an intermediary, HINT.Co GmbH (HINT.CO), will conduct a competitive tender to conclude long-term hydrogen purchase agreements (HPA) with suppliers (Seller). On the demand side, HINT.CO will conclude short-term hydrogen sales agreements (HSA) with EU-based customers (HSA Customers). Prices under the HPAs and the HSAs will be determined via a double auction model (lowest purchase price under the HPA and highest sales price under the HSA will win the respective contract).</p> <p>It is expected that sales revenues from the HSAs will, initially, not be sufficient to cover the purchase costs under the HPAs. The German Ministry for Economic Affairs and Climate Action (BMWK) has therefore committed EUR 900 million in funding, to be paid out in annual installments beginning in 2024 and ending in 2033, to offset the difference between sales revenues and purchase costs. The H2Global scheme has been approved by the European Commission by decision dated 20 December 2021 and by BMWK by decision dated 23 December 2021. Minor modifications of the H2Global scheme are currently being discussed with BMWK and are expected to be approved by August 2022.</p> <p>HINT.CO intends to procure the following three hydrogen-based products: (green) ammonia, (green) methanol, and (green) e-kerosene (Products). For each Product there will be one tender and HINT.CO envisages concluding one HPA for each Product. Across the entire delivery period (envisaged for 2024 – 2033) the total contract value of each HPA will be approx. EUR 300m. Following a brief ramp-up period in 2024 and 2025, the annual contract value will be approx. EUR 34m as of 2026 (Contract Value). This corresponds to the maximum funding amount committed by BMWK in annual installment payments. The overall contract value for each of the Product may vary by up to 20% but will, in total for all Products, not exceed EUR 900 million.</p> <p>HINT.CO will function as an intermediary and market-maker by concluding HPAs with the Sellers and HSAs with the HSA Customers and by generally assuming the risks that the purchase price of the Products may exceed the current market value and hence sales prices for the Products achievable under the HSAs. However, HINT.CO otherwise does not envisage to take</p>

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		<p>an active role in the handling of the Products, which should be the responsibility of the Seller and, upon delivery, of the HSA Customers. The HPA will reflect this approach by allocating responsibilities and risks accordingly.</p> <p>H2Global has been approved both by BMWK and the European Commission on the grounds that production of the Products and the Products itself meet sustainability criteria as well as additional sustainability requirements. These requirements will be assessed during the tender process and will also be reflected as obligations in the HPAs.</p> <p>Terms, amounts, and numbers set in [...] have not yet been fully agreed and are subject to ongoing alignment.</p> <p>HINT.CO invites comments on the terms of the HPA, and in particular:</p> <ul style="list-style-type: none"> <i>Interested parties are invited to comment for ammonia, methanol, and e-kerosene separately in case the proposed terms establish requirements which would make the realisation of the project economically or technically unviable. Please consider that HINT.CO, given the nature of its funding from public sources, does not possess the capacity to take an active role in the value chain and is not able to assume commercial risks beyond the market price risk.</i> 	
2.	Parties	<p>Seller: Winning bidder as determined by tender</p> <p>Buyer: HINT.CO GmbH</p>	
3.	Products to be delivered	<ul style="list-style-type: none"> (green) ammonia, (green) methanol or (green) e-kerosene depending on the specific tender 	<ul style="list-style-type: none"> For each Product the Seller will be determined based on the selection criteria of the tender.
4.	Term	<ul style="list-style-type: none"> Beginning: Award of tender (expected for 2023) End: 31 December 2033 Delivery period: 1 January 2024 to 31 December 2033 (Delivery Period) Contract year is the calendar year 	<ul style="list-style-type: none"> HPAs will be concluded for the entire duration of the funding period, with deliveries to start in 2024. Alternative Delivery period: 1 January 2025 to 31 December 2034 is under consideration.
Main Obligations of Seller			
5.	Delivery of Products	<ul style="list-style-type: none"> Seller delivers the contract quantity of a Product per year during the Delivery Period of the HPA at the agreed quality specifications. 	<ul style="list-style-type: none"> The annual Contract Value in EUR is determined by the funding amount committed by BMWK in annual

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		<ul style="list-style-type: none"> The annual contract quantity to be delivered will be determined by division of the annual Contract Value with the Contract Price. Delivery will be enforced by contractual warranties, penalties, and termination rights. 	<p>installment payments (approx. EUR 34m as of 2026).</p> <ul style="list-style-type: none"> A phased approach for enforcement of Sellers delivery obligation is under consideration, i.e., suspension of penalties and termination rights during the ramp-up period [not more than 2 years].
6.	Port of Delivery / Delivery Point	<ul style="list-style-type: none"> The Port of Delivery must be a port in Germany, Belgium, or the Netherlands (Delivery Region). On conclusion of the HPA, Seller determines, subject to approval by HINT.CO, the Port of Delivery in the Delivery Region. The Parties may mutually agree to change the Port of Delivery with a notice period of 18 month to the calendar year in the Delivery Region. At the Port of Delivery, the transfer of title and risk from Seller to HINT.CO (and from HINT.CO to HSA Customer) will take place at the flange of the port facility (Delivery Point) where the HSA Customer takes over the Product. 	<ul style="list-style-type: none"> <i>Interested parties are invited to comment particularly for e-kerosene on the delivery concept.</i>
7.	Delivery Schedule	<ul style="list-style-type: none"> Seller will deliver the annual quantity of Product in a mutually agreed delivery schedule complying with the following conditions: <ul style="list-style-type: none"> a. [2-12] [equal] lots, b. spread out [evenly] over the entire year and at predetermined dates, c. including flexibility of delivery date of [+/- 5] working days Seller will provide customary proof of delivery to HINT.CO. 	<ul style="list-style-type: none"> <i>Interested parties are invited to comment separately for ammonia, methanol, and e-kerosene which adjustments to a), b) or c) if any, would have a significant impact on reducing the contract price, please explain why.</i>

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8.	Handling of the Product	<ul style="list-style-type: none"> • Seller is responsible for the Product transport and logistics up to delivery to the HSA Customers at the Delivery Point. This does include the import of the Product into the EU country where delivery takes place. • Seller is responsible for sale of any Product that HSA Customers fail to take off. Such failure may constitute a “Take or Pay” event (below 18.). • DDP Incoterms 2020 to apply. • Transport and logistics shall take place in compliance with all applicable safety regulations. 	<ul style="list-style-type: none"> • Seller shall provide and manage supply chain flexibility including storage infrastructure to the extent needed to conduct the delivery process of the Product to HSA Customers according to prevailing standards and good industry practice. • Given HINT.CO's scope of operations, HINT.CO will not pursue an active role in the supply chain management of the Products. Hence Seller must entirely handle logistics and dispatch to the HSA Customers.
9.	Dispatch of Product to HSA Customer	<ul style="list-style-type: none"> • Seller will be responsible to dispatch the delivery of Product to HSA Customer at the Delivery Point but will not be responsible for onward transport to HSA Customer's place of business. 	<ul style="list-style-type: none"> • HSA Customers will be responsible to manage the product logistics “behind” the Delivery Point. • Seller dispatches the Product to HSA Customers according to prevailing standards and industry practice.
10.	Contract Fees	<ul style="list-style-type: none"> • Seller pays a service fee of [EUR x million] and a risk charge of [EUR y million] to HINT.CO no later than 30 days after award of the contract. • During the Delivery Period Seller pays to HINT.CO an annual service fee of [EUR 0.z million] by the end of January of the respective year. 	<ul style="list-style-type: none"> • HINT.CO is aiming to keep the grand total of fees and risk charge for Seller below 1% of the total contract value. Most of the contract fee payments will be due shortly after award of the HPA.
<i>Product Quality</i>			
11.	Product Quality	<ul style="list-style-type: none"> • The Products as well as the production process must comply with Technical Product Specifications (below 12.), Additional Product Specifications (below 13.), and Additional Sustainability Requirements (below 14.). 	<ul style="list-style-type: none"> • The product quality is determined along three quality dimensions that all need to be adhered to during the contract term: <ul style="list-style-type: none"> a) Technical Product Specifications

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		<ul style="list-style-type: none"> Compliance with these standards will be enforced by contractual warranties, penalties, and termination rights. 	b) Additional Product Specifications c) Additional Sustainability Requirements
12.	Technical Product Specifications	<p>Each Product will have to comply with technical product specifications (subject to a warranty) upon delivery:</p> <p><u>Ammonia</u></p> <p>Ammonia min. 99,8% (mass) Water max. 0,2% (mass) Oxygen max. 10 ppm (mass) Oil max. 5 ppm (Masse)</p> <p><u>Methanol</u></p> <p>Methanol min. 99,85 wt% Water max. 0,100 wt% Acetone max. 30 mg/kg Ethanol max. 50 mg/kg Chlorine max. 0,5 mg/kg</p> <p><u>e-Kerosene</u> <i>Jet A-1 acc. to ASTM D1655/7566</i></p> <p>Aromatics 25% volumetric Sulphur max. 0,30 wt% Naphthalene max. 3,0 volumetric %</p>	<ul style="list-style-type: none"> Technical Product Specifications are derived from prevailing product specs of the “conventional” products. <i>Interested parties are invited to comment (also from an off-taker sector-perspective) separately for ammonia, methanol and e-kerosene which adjustments / amendments of technical specifications a) would be required to fully mirror prevailing conventional product specs, b) would have a material impact for reducing the contract price, please explain why.</i>

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		Particulate max. 1 mg/l Contamination	
13.	Additional Product Specifications	<ul style="list-style-type: none"> Each Product will have to comply with various additional specifications that will be specified in an annex to the HPA. 	<p>The annex will stipulate the sustainability criteria that need to be met by Seller, this may include but not be limited to sustainability criteria related to electricity procurement, GHG emission reduction as well as to CO2 procurement. These criteria will be aligned with the requirements of the Renewable Energy Directive 2018/2001 (<i>Renewable Energy Directive</i>) and its (draft) delegated acts. Given that the delegated acts have not yet been finalized, those criteria are subject to further change until the tender process starts:</p> <ul style="list-style-type: none"> Electricity used in the production of the Products must be generated from an <u>additional</u> renewable energy source [wind, solar, geothermal]. Therefore, the electricity must be sourced from (i) a renewable electricity generator directly connected to the electrolyser, [(ii) from the grid within a zone that is certified as renewable] or (iii) from the grid by the means of a renewable PPA. “Additionality” shall be determined pursuant to Art. 27(3) of the Renewable Energy Directive and potentially specified in the delegated act. Electricity procurement must be in line with the requirements of temporal and geographical correlation pursuant to Art. 27(3) of the Renewable Energy Directive and potentially specified in the delegated act.

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			<ul style="list-style-type: none"> • Carbon used for the production of derivatives may only be drawn from sources that are permissible sources under the Renewable Energy Directive and its delegated acts. • Pursuant to Article 25(2) of the Renewable Energy Directive, the emission savings of the Product must be at least [70+X%] through a life-cycle assessment. HINT.CO's requirements may exceed the 70 percent threshold.
14.	Additional Sustainability Requirements	<ul style="list-style-type: none"> • Each Product will have to comply with various additional sustainability criteria as specified in an annex. 	<ul style="list-style-type: none"> • The annex will stipulate the sustainability criteria for the production process that need to be met by Seller.
15.	Certification	<p>The Seller will have to prove compliance with the requirements under 12., 13. and 14. during the</p> <ul style="list-style-type: none"> • Construction phase; and • Production phase. 	<ul style="list-style-type: none"> • A respective quality management concept is currently being developed.
16.	Reporting	<ul style="list-style-type: none"> • Pursuant to Article 28(2) of the Renewable Energy Directive, the Seller must provide both HINT.CO and the respective HSA Customers with all necessary documents of proof concerning compliance with the requirements under 12. and 13. • Furthermore, the Seller commits to provide HINT.CO with all information in the context of the HPA that might be needed by HINT.CO to comply with its own information obligations vis-a-vis BMWK or the European Commission. 	
Main Obligations of HINT.CO			

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17.	Contract Price & Payment	<ul style="list-style-type: none"> • HINT.CO pays Seller the contract price for duly delivered Product quantities. • The contract price (CP) consists of the price elements of the contract price formula: $CP = P + T + LD + ID$ with <ul style="list-style-type: none"> ○ P = Product Price (fixed) ○ T = Transport Charge (variable) ○ LD = Logistics & Dispatch Charge (variable) ○ ID = Import Duty • HINT.CO pays the Seller for the Product duly delivered on a monthly base. Seller provides HINT.CO an invoice of the quantities delivered and taken off by HSA Customers, as well as any “take or pay” quantities in total and broken down to each respective HSA Customer, incl. HSA Customer specific events of take-off failure by the [5th] working day at the Delivery Point of the month following the delivery month. HINT.CO shall pay duly delivered contract quantities by the [25th] day of the [second] month after the month of delivery. 	<ul style="list-style-type: none"> • The contract price formula envisages variable elements and an example is defined further below. <i>Interested parties are invited to comment on whether a fixed price for the components T and LD would also be feasible for the entire term of the HPA.</i> • The Contract Price Formula breaks down the Contract Price into price elements for the product delivered and the supply chain services provided by the Seller: • The Product Price (P) is the price of Seller for delivery of the Product - free of customs, export levies, taxes or other charges due for the export of the Product out of the country where the Product is produced – at a mutually agreed deep-water port (delivery FOB) nearby the production site of the Seller. The Product Price shall be fixed for the entire term of the HPA. • The Transport Charge (T) is the price for oversee transport of the Product from a deep-water port nearby the production site of the Seller (as if delivery would be made FOB) to the pier of the Port of Delivery in the Delivery Region. • The Logistics & Dispatch Charge (LD) is the price for the supply chain management of the Product including, but not limited to: <ol style="list-style-type: none"> a) scheduling of shipping to the Port of Delivery b) product logistics in the Port of Delivery and to the Delivery Point, c) provision and dispatch of supply chain flexibilities and storage,

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			<p>d) management of delivery process to HSA Customers</p> <ul style="list-style-type: none"> • Import Duties (ID) are prevailing duties, customs, taxes other levies on the import of the Products into the respective EU country at the time of import. • Indexation of the Contract Price does not apply to the initial [2-3] delivery years. <p>Considerations for the variable price element(s) T and LD based on an indexation of the price component build on a mutually agreed appropriate, well established published reference (Index):</p> $A = A_0 \times \text{Index}(t) / \text{Index}(t_0)$ <p>or</p> $A = A_0 + B_0 \times \text{Index}_B(t) / \text{Index}_B(t_0) + C_0 \times \text{Index}_C(t) / \text{Index}_C(t_0)$ <p>with:</p> <ul style="list-style-type: none"> ○ A_0, B_0, C_0 = starting value of the price formula element ○ $\text{Index}(t)$ = variable Index value as function of time, determined on annual basis (up to 1 year time lag under consideration) and applicable for the respective calendar year ○ $\text{Index}(t_0)$ = starting value of the Index The starting value of the index is determined before the tender is awarded <ul style="list-style-type: none"> • Payment Terms: The H2Global scheme requires HINT.CO to collect the sale revenues from HSAs to determine the funding requirement from the BMWK support scheme for each payment to the Seller. Since

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			payment collection from HSA Customers does require processing time, the settlement of Sellers invoice is scheduled to take place by the [25 th day] of the [second] month after the delivery month.
18.	“Take or Pay” Obligation	<p>The HPA will contain a “take or pay” provision:</p> <ul style="list-style-type: none"> • HINT.CO will market Products to HSA Customers and will endeavour that Products are taken off at the Delivery Point in the agreed quantity and at the scheduled time. • To the extent that (duly delivered quantities) in the agreed quality are not taken off by an HSA Customer or cannot be sold by HINT.CO at all, HINT.CO will compensate Seller for those quantities. • Compensation will be determined based on the Contract Price minus Seller’s revenue from sales of respective Product quantity and/or costs saved. However, compensation does not exceed the Contract Price in the first delivery year. • Seller will be subject to a “best efforts” requirement to sell the Products [preferably in the EU and, if that is not possible, elsewhere] to realise cost savings. 	<ul style="list-style-type: none"> • In line with the design of the H2Global scheme, to support the ramp up of renewable hydrogen production capacities by providing a predictable long-term off take of Products, HINT.CO will assume the price risk of the Products that cannot be taken off, provided that Products are being produced in the agreed quality, (delivered on time) and Seller undertakes best efforts to find alternative buyers.
<i>Liability and Termination</i>			
19.	Liability Regime	<ul style="list-style-type: none"> • The HPA will contain customary liability provisions (based on the German Civil Code) for failure to deliver the Product at all, on time, in the agreed quantity or quality. • The liability regime will be aligned with the liability regime under the HSAs and HINT.CO will assign claims against the Seller to the respective HSA Customer. 	

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20.	Contractual Penalty	<p>Seller's key obligations under the HPA will be further secured by contractual penalties. This includes:</p> <ul style="list-style-type: none"> • Failure to deliver • Deviation of Product from agreed specifications (above 12., 13. and 14). 	
21.	Termination Rights	<ul style="list-style-type: none"> • HINT.CO will have customary termination rights for cause under the HPA, including notice and remediation periods. • HINT.CO will, in particular, be entitled to terminate the HPA if BMWK, due to a non-compliance of the Seller, revokes the funding for the respective HPA. 	<ul style="list-style-type: none"> • To enforce Seller's compliance with the criteria established under the HPA, particularly according to 12., 13. and 14, HINT.CO will have an extraordinary right of termination without notice in the event of sustained and/or recurring non-compliance.
22.	Performance Bond	<ul style="list-style-type: none"> • In order to ensure due payment of the contractual penalty, the Seller will provide a performance bond in form of either a German law governed first demand bank guarantee or an English or NY law governed standby letter of credit, each issued by a bank with a rating of at least [BBB+ rating by S&P, Moody's] or equivalent ratings from an internationally recognised rating agency to secure due performance of all obligations of the Seller under the HPA up to an amount of EUR [50 million]. • After the second delivery year HINT.CO and the Seller will discuss in good faith an adjustment of the performance bond or bank guarantee to the amount of EUR [35 million] provided Seller has complied with Seller's obligations in the previous two delivery years 	
23.	Force Majeure	<ul style="list-style-type: none"> • The HPA will contain a customary force majeure clause under which either party will temporarily be released from its 	

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		<p>obligations if they cannot be performed due to a force majeure event and for the duration of the force majeure event.</p> <ul style="list-style-type: none"> • Seller will be required to prioritize delivery of Products to HINT.CO over other delivery obligations to meet the agreed annual contract quantity. Consequently, a force majeure event is excluded if the Seller can fulfill its obligations by prioritizing the delivery of HINT.CO. • If the force majeure event exceeds certain time limits or effects certain quantities of Products, HINT.CO may terminate the HPA within a period of 60 days. 	
<i>Miscellaneous</i>			
24.	Taxes, Duties and Charges	<ul style="list-style-type: none"> • Seller will bear all product-, and export related taxes and other levies in the country of production as well as any such taxes and other levies for the transport to the Port of Delivery and will bear the commercial risk of (i) an increase of such taxes and levies, and (ii) an introduction of new national taxes and levies of that type. • Seller will be liable for the administration of customs and other export and import related levies vis-à-vis involved customs and other authorities. • Seller will invoice customs, levies, taxes, or other charges due for the import of the Products into the respective EU country to HINT.CO separately. HINT.CO will reimburse Seller for these costs. • HINT.CO will bear the commercial risk of (i) a future change of customs and other EU-import related levies, and (ii) an 	

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		introduction of new EU-customs and other import related levies.	
25.	Amendment of HPA due to Regulatory Changes	<ul style="list-style-type: none"> • HINT.CO may request an amendment of the HPA if laws and regulations relevant for the performance of the HPA, e.g., the Renewable Energy Directive and its delegated acts, change. • Seller must negotiate the amendment in good faith. Seller may not refuse the amendment if HINT.CO has a legitimate interest in the amendment and the proposed changes are reasonable. The latter is assumed if Seller is fully compensated for additional costs incurred and risks assumed due to the amendment. 	<ul style="list-style-type: none"> • Due to the long duration of the HPA regulatory requirements, e.g., concerning product specifications and sustainability criteria may change and may have to be reflected in the HPA.
26.	Governing Law and Jurisdiction	<ul style="list-style-type: none"> • Laws of Germany, exclusion of the UN Convention on Contracts for the International Sale of Goods. • Courts of Hamburg. 	
