

MNRE issues Scheme Guidelines for pilot projects on use of green hydrogen in the transport sector

The Ministry of New and Renewable Energy, Government of India (“**MNRE**”) had launched National Green Hydrogen Mission (“**Mission**”) in January 2023. The critical components of the Mission included implementation of pilot projects for replacing fossil fuels and fossil fuel-based feedstocks with green hydrogen and its derivatives in transport sector, and identification of operational issues and gaps with respect to technology readiness, regulations, implementation methodologies, infrastructure and supply chains.

To take the objective of the Mission forward, the MNRE on February 14, 2024, notified scheme guidelines for implementation of pilot projects for use of green hydrogen in the transport sector (“**Scheme**”) with a budgetary outlay of INR 496 crore (Indian Rupees four hundred and ninety six crore) till FY 2025-2026. The objective of the Scheme is to, *inter alia*, support the deployment of green hydrogen as fuel in buses and trucks, evaluate their economic viability and performance as well as demonstrate safe operations of hydrogen fueling stations.

Applicability of the Scheme

Under the Scheme, the financial support will be provided in the following areas:

1. Commercially viable technologies that will be developed for: (a) use of green hydrogen as fuel in certain specific categories of buses and trucks; and (b) supporting infrastructure such as hydrogen fueling stations sector; and
2. Innovative use of green hydrogen in the transport sector, such as blending of methanol/ethanol derived from green hydrogen in automobile fuels.

Financial Assistance and Disbursement

Under the Scheme, financial assistance will be provided to reduce the viability gap due to the relatively higher capital costs of the hydrogen fuel vehicles and necessary infrastructure, including the refueling facilities and distribution infrastructure. The funding will be granted depending on the feasibility, specific needs and merits of each of the projects. However, the Scheme does not envisage financial support for expenses on account of hydrogen production, land etc.

The funds will be budgeted amongst different types of pilot projects under the Scheme and will be released at different stages of the project, i.e., at the letter of award issuance stage, milestone achievements and upon completion of the project.

Monitoring Framework

1. The overall responsibility of monitoring and implementing the Scheme will be with the steering committee (“SC”), set up under the co-chairpersonship of Secretary, the Ministry of Road Transport and Highways (“MoRTH”) and Secretary, MNRE. In case of any ambiguity in the provisions of the Scheme, the SC will provide its recommendations to resolve the issues, however, the decision of MNRE is final.
2. Additionally, a Project Appraisal Committee (“PAC”) established under the chairpersonship of Additional/Joint Secretary, MoRTH, will review and evaluate the proposed projects and recommend the projects eligible for sanction of financial assistance. Further, PAC will monitor the sanctioned projects for allocation of funds based on the progress of such projects. The recommendations will be sent to MNRE, and financial assistance will be released through MoRTH.
3. An implementing agency (*discussed below*) will be responsible for formulating mechanisms for monitoring the progress of the pilot projects. The same will be shared with MNRE and MoRTH.

Implementation Methodology

The MoRTH will select an implementing agency for the Scheme (“IA”). The IA will invite/call for proposals for the projects. Some of the requirements for the proposals provided are as follows:

1. The entities eligible to submit the proposal include central public sector undertakings (CPSUs), state public sector undertakings (PSUs), private entities, joint ventures/partnerships of such entities;
2. Each project that will be submitted to the IA should mention the name of ‘executing agency’. In the case of joint venture, the lead agency will be the executing agency.
3. The proposals will be evaluated by PAC and the IA will issue the letter of award upon receipt of sanction from MNRE. The executing agency must endeavour to complete the project within 24 (twenty four) months from the date of award.
4. The implementing agency along with the executing agency will identify the routes where the projects will be developed for finalization by MoRTH.

Project Timelines and Utilisation of Funds

The Call for Proposals will have specified the timelines for completion of the pilot projects and in case of delay in completion of the project, it will provide for extension upto 6 (six) months, with the approval of the SC and without imposition of any penalty. However, in case of any delay in completion beyond a period of 6 (six) months, the extension can only be granted after the approval from the MNRE and suitable penalties will be imposed as provided in the proposal document.

Further, the financial assistance should be utilized by the executing agency strictly for the purpose for which it is sanctioned. In case the granted funds are utilized for other purposes or upon failure to complete the pilot project, the executing agency is obligated to refund the grant to the MNRE along with the applicable interest under the General Financial Rules, 2017. Inordinate delays in completion of the project also entitles the MNRE to retract the sanctioned funds or cancel the project in consultation with the SC.

Conclusion

This Scheme launched in line with the National Green Hydrogen Mission provides a great opportunity for India to transition to a cleaner economy in line with Government of India’s aim to considerably reduce India’s dependence on crude oil import and consumption by 2030 and achieve its COP 26 commitments to reduce carbon emission intensity of its GDP by 45 % by 2030 and to reach net-zero carbon emissions by 2070. The Scheme furthers India’s commitment towards reaching net zero by 2070. It is also in line with the Government’s aim for adoption of green hydrogen across

sectors and industries in India. Given that the green hydrogen sector is at a nascent stage and there still exists regulatory void, the implementation of pilot projects under the Scheme will help the Government to understand the regulatory challenges and also in developing the future regulatory roadmap, including changes to the Automotive Industry Standards for safety and procedural requirements for type approval of hydrogen powered vehicles issued as well as the safety standards for related infrastructure.

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