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Scheme Guidelines for implementation of 'Strategic Interventions for Green Hydrogen Transition (SIGHT) Programme – Component I: Incentive Scheme for Electrolyser Manufacturing Tranche – II'

In January 2023, the Union Cabinet approved the National Green Hydrogen Mission with an initial outlay of INR 19,744 crore (Indian Rupees nineteen thousand seven hundred and forty-four crore), allocating funds for various components including the Strategic Interventions for Green Hydrogen Transition ("**SIGHT**") Programme ("**SIGHT Programme**"), pilot projects, research and development, and other mission components. The SIGHT Programme proposes 2 (two) distinct financial incentive mechanisms to support domestic manufacturing of electrolysers and production of Green Hydrogen. Tranche I of the SIGHT Programme awarded tenders to 10 (ten) companies on January 9, 2024, for establishing green hydrogen production facilities in India with a total capacity of 4,12,000 (four lakh twelve thousand) tons per annum.

Building on this, the Ministry of New and Renewable Energy ("**MNRE**"), on March 16, 2024, issued the 'Scheme Guidelines for implementation of Strategic Interventions for Green Hydrogen Transition (SIGHT) Programme – Component I: Incentive Scheme for Electrolyser Manufacturing Tranche – II' ("**Scheme**"). The objectives of the Scheme include maximizing indigenous electrolyser manufacturing capacity, achieving a lower levelized cost of hydrogen production, ensuring globally competitive performance and quality of products, progressively enhancing domestic value addition, and supporting established and promising technologies.

Salient Features

1. **Budget allocation**: The Scheme, allocated a total outlay of INR 4,440 crore (Indian Rupees four thousand four hundred and forty crore), will span from FY 2025-26 to FY 2029-30.

2. **Implementing agency**: MNRE will oversee the Scheme's execution through the Solar Energy Corporation of India Limited ("**SECI**"). SECI's responsibilities encompass administrative, managerial, and implementation support, including application evaluation, issuance of acknowledgments and letters of award, verification of incentive claims, and quarterly progress reporting to MNRE. SECI is entitled to 0.5% of the disbursed incentive amount as administrative charges and holds authority to conduct physical inspections and enlist third-party agencies for technical verification.

3. **Guiding principles**: The Scheme adheres to specific guiding principles:

   a) Support for electrolyser manufacturing will be provided in terms of INR/kW corresponding to the manufacturing capacity.

b) The base incentive will commence at INR 4440 (Indian Rupees four thousand four hundred and forty) perkW in the inaugural year and will gradually decrease annually.

c) Incentives will be disbursed for 5 (five) years from the onset of electrolyser manufacturing.

4. **Penalties**: Bidders participating in the Scheme are mandated to submit earnest money deposit ("**EMD**") as specified in the tender document. Non-compliance with the tender terms may lead to forfeiture of the EMD. Successful bidders, upon acceptance of the award, must furnish performance bank guarantees (PBG) or analogous instruments, as stipulated in the tender document. Failure to adhere to project commissioning timelines or default in project execution may result in forfeiture of the commensurate bank guarantees or similar performance guarantee instruments by SECI. Detailed modalities regarding penalties, including encashment of EMD, bank guarantees, accrued interest, or other penalties collected by SECI, will be outlined in the tender documents.

5. **Monitoring**: Oversight will be conducted by a Scheme Monitoring Committee ("**SMC**") chaired by the Secretary of MNRE. The SMC, comprising representatives from MNRE, SECI, and relevant experts, will periodically review the implementation status and performance of electrolyser manufacturing capacities awarded under the scheme, facilitating resolutions for any encountered difficulties.

Implementation methodology

1. The scheme is designed to promote the manufacturing of efficient and top-tier electrolysers within India. It outlines a detailed selection process for bidders, evaluating them based on the following specific parameters:

   a) Performance quotient based on the Specific Energy Consumption

   b) Local value addition for each year of production

   Additionally, verification of local value addition will be conducted annually to ensure compliance with the Scheme requirements.

2. **Eligibility**: The Scheme imposes stringent eligibility criteria, requiring bidders to meet financial stability and manufacturing capability standards. Bidders, whether single companies or joint ventures/consortiums, must demonstrate a net worth equal to or exceeding INR 21,00,00,000 (Indian Rupees twenty-one crore) per MW for bucket 1 or 2A, and INR 30,00,000 (Indian Rupees thirty lakh) per MW for bucket 2B, with the option to showcase financial capability through affiliates. Additionally, electrolysers produced must adhere to technical specifications including specific energy consumption of 56 kWh per kg of Hydrogen production, a guaranteed life of at least 60,000 hours, and a minimum Local Value Addition of 40% for alkaline electrolyzers and 30% for other technologies in the first year of production, ensuring the production of high-quality equipment fostering efficient green hydrogen generation.

3. In order to promote indigenously developed electrolyser technologies, bids in the second tranche of 1500 MW will be called in three separate buckets.

4. Payment incentives for the selected bidders are also set in the Scheme guidelines.

Conclusion

In light of the burgeoning global interest in green hydrogen initiatives, the Mission, has set forth a promising trajectory towards sustainable energy production. The issuance of the Scheme guidelines for the SIGHT Programme's Electrolyser Manufacturing Component marks a pivotal step in bolstering domestic manufacturing capabilities and fostering a competitive market landscape. By incentivizing electrolyser production and green hydrogen generation, the Scheme aims to elevate India's position in the renewable energy sector while aligning with global sustainability objectives.

The guidelines present an opportunity for stakeholders to strategically position themselves in the growing green hydrogen market. The Scheme outlines stringent eligibility criteria and incentive structures, ensuring the participation of qualified entities and the delivery of high-quality electrolysis technology. Moreover, the emphasis on indigenous manufacturing and technical standards underscores a commitment to innovation and competitiveness, offering clients a pathway to contribute to India's energy transition while capitalizing on emerging market trends. As the green hydrogen landscape evolves, stakeholders must navigate these guidelines adeptly to leverage the Scheme's potential for growth and innovation, fostering a sustainable energy future for India and beyond.

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