

**From:** [redacted]  
**Sent:** 13 October 2020 16:52  
**To:** [redacted]  
**Subject:** H100 Fife Update

[redacted]

Find attached presentation from today's call.

As discussed, please get in touch should you require anything further.

Many thanks

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 30 July 2021 16:55  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** H100 Fife July Report

Classified as Internal

Hi [redacted],

As discussed earlier this month, please see attached the monthly report for H100 Fife. Section 8 relates to the Scottish Government Grant.

Kind regards,  
[redacted]

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]  
**Sent:** 31 July 2020 10:51  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** Offer of Grant

[redacted]

As discussed please see attached offer of grant for £6.9m as a contribution towards SGN's H100 Fife project signed by Kersti Berge, Director of Energy and Climate Change, Scottish Government.

We wish you every success with this project in its consideration within Ofgem's NIC process and please keep us apprised of progress in that regard.

We believe this to be a project of national interest both for Scotland and at a UK level and an important evidence building initiative with very strong collaborative links to other key projects such as the BEIS UK funded Hy4Heat programme.

We look forward to working closely with SGN in the delivery of this flagship project.

Kindest Regards

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow

[redacted]

**From:** [redacted]

**Sent:** 31 March 2020 08:13

**To:** [redacted]

**Cc:** [redacted]

**Subject:** Scottish Government Letter of Support - H100 Fife

[redacted]

Please find attached a copy of a letter of support for the SGN H100 Fife project from [redacted], Deputy Director, Directorate of Energy and Climate Change on behalf of the Scottish Government.

Regards,

[redacted]

[redacted] Energy Industries Division | The Scottish Government | Victoria Quay | Edinburgh | EH6 6QQ | [redacted]

**From:** [redacted]  
**Sent:** 26 October 2022 12:28  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Project Advisory Board - H100 Fife Phase 1 Neighbourhood

Classified as Internal

Hi All,

Please find attached the minutes and slide packs from September's and October Project Advisory Board (PAB).

Also attached is the SGN H100 Brochure (Action 32).

Thanks

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 01 June 2022 10:45  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** Project Advisory Board - H100 Fife Phase 1 Neighbourhood

Classified as Internal

All

Please find attached minutes from May's PAB, along with agreed final ToRs for the group in relation to action 11.

Many thanks

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

**From:** [redacted]  
**Sent:** 01 September 2021 09:08  
**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: Project Advisory Board - H100 Fife

Classified as Internal

Morning all,

Hope you are all well.

Please find attached the slides and minutes from our last meeting of the Project Advisory Board for H100 Fife on 10 August. I've also reattached V2 of the Terms of Reference that incorporates the feedback to date from the group. Please let me know either way if you have any further comments or are happy with the content so these can be finalised.

I've issued an invite for the next Project Advisory Board for the 10 November. Please let me know if the date/time isn't suitable.

Kind regards,

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]

**Sent:** 24 November 2021 11:41

**To:** [redacted]

**Cc:** [redacted]

**Subject:** Project Advisory Board - H100 Fife

Classified as Internal

Good morning all,

Please find attached the minutes from the H100 Fife Project Advisory Board meeting held on 17<sup>th</sup> November.

Kind Regards

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

**From:** [redacted]  
**Sent:** 29 April 2021 17:53  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: H100 Fife - Project Advisory Board Scoping Session

Classified as Internal

Hi all,

Thanks very much for your time and the productive discussion at the Project Advisory Board kick off for H100 Fife. I've attached the slides we presented, along with the meeting minutes and the draft Terms of Reference for the group. We would welcome your review and comment on the ToRs – please can you **provide feedback before 28<sup>th</sup> May** and we'll collate a revised version as required and share. This would probably work best if you could return a track changed version of the attached ToRs.

We're suggesting the next meeting takes place the beginning of August, hopefully avoiding the majority of A/L over the July period. I'll put a placeholder in the diaries once the attendees of the group have been confirmed in the ToRs.

Best regards,

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]  
**Sent:** 21 June 2022 17:27  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Project Advisory Board - H100 Fife Phase 1 Neighbourhood

Classified as Internal

Hi All

Please find attached minutes and slides for last week's PAB. Also attached in relation to the actions discussed is the Stakeholder Briefing Pack.

Many thanks

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

**From:** [redacted]  
**Sent:** 31 July 2020 14:53  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** H100 Fife Bid submitted to Ofgem

[redacted],

Many thanks for your support with our H100 project and grant offer. Please find attached copy of our bid into the Ofgem NIC. [redacted] are all contributing to costs at varying amounts. Ofgem will confirm bid receipt and compliance check on Monday. From here there is still an arduous Q&A process and series of interviews/examinations with Ofgem's Expert panel. Ofgem are yet to advise the format and dates, but will let you know once received.

I think with your support, we have a very good project proposition, which I hope will be positively received through the bid process. We very much look forward to working with you in delivering the world's first 100% green Hydrogen network!

KR

[redacted]  
**SGN, Axis House, 5 Lonehead Drive, Newbridge, Edinburgh, EH28 8TG**

**From:** [redacted]  
**Sent:** 22 July 2022 12:44  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Project Advisory Board - H100 Fife Phase 1 Neighbourhood

Classified as Internal

All

Please find attached minutes and slide pack from this week's PAB.

[redacted]

Thanks

[redacted]  
**SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG**

**From:** [redacted]  
**Sent:** 17 November 2021 15:49  
**To:** [redacted]  
**Subject:** SGN & Wood report published!

[redacted]

**From:** [redacted]  
**Sent:** 17 November 2021 15:43  
**To:** [redacted]  
**Subject:** RE: Report

Classified as Internal

Hi [redacted]

Sorry - I've literally just been sent it. It was to be issued today but there were a few corrections needed on the report so it will now be issued first thing tomorrow instead. Here's the press release and the Executive Summary Report. The full report is now live on our website – the weblink is at the end of the press release.

I hope that's ok?

Kind regards  
[redacted]

**From:** [redacted]  
**Sent:** 17 November 2021 15:38  
**To:** [redacted]  
**Subject:** Report

**WARNING** This email is not from the SGN network. Do not open unexpected files or links.

Hi [redacted],

I realise I am really at risk of making a nuisance of myself but once I finish up this evening, I will be out of the office until Monday, and so wanted to check-in on the timeline for the Wood report publication. I think you were issuing a press release today and so do you expect it will be out tomorrow?

Best,  
[redacted]

# SGN sets out accelerated hydrogen pathway for decarbonisation of heat in Scotland

**11 November 2021**

Leading gas network company SGN has today published a roadmap for how hydrogen can play a leading role in delivering the Scottish Government's target of one million homes with low carbon heat by 2030.

The research, published with global consulting and engineering advisor Wood, sets out a transformational and accelerated pathway to 100% hydrogen for Scotland's gas networks.

We commissioned Wood to investigate the feasibility of a hydrogen energy system. The report reveals how utilising Scotland's existing gas infrastructure could also decarbonise industry and transport in addition to over 90% of homes and businesses. The pathway could help speed up the delivery of the Scottish Government's 2030 and 2045 carbon emissions reductions and ultimately help meet the 2045 net zero target.

The proposals detail how the initial conversion of Aberdeen to 100% hydrogen could take place by the end of the decade. Hydrogen, which would be produced and stored at St Fergus on the north-east coast, would be injected into the gas network system, initially making up 2% of the blend. This would grow to 20% then 100%, making Aberdeen the world's first hydrogen powered city. Conversion of homes and buildings along the north-east coast and across the central belt would take place after Aberdeen, with other areas of Scotland's gas network being converted by 2045.

Blue and green hydrogen production would both play critical parts in the end-to-end system, working in tandem. The study also investigates the feasibility of a CO<sub>2</sub> collection network to securely capture, transport and store carbon dioxide emissions deep underground.

Angus McIntosh, SGN's Director of Energy Futures, said: "This report outlines the practical steps needed to rapidly decarbonise a significant part of Scotland's homes and industry. Hydrogen gives



customers choice and control in the way they heat their homes and provides a practical, secure and low disruption pathway to net zero. It has the potential to deliver powerful macroeconomic benefits and help Scotland be a global leader in the development of a hydrogen economy.

“We’ll now work with key stakeholders and complementary hydrogen production and demand initiatives to deliver this vision. We have launched the preliminary engineering phase of the Aberdeen Vision pipeline, which will refine the planning for the proposed new pipeline connecting blue hydrogen production at St Fergus and offshore green hydrogen production to Aberdeen City and the wider area in the north east.

“By offering a significant opportunity for the substantial decarbonisation of Scottish industrial, domestic and commercial gas customers, we can pave the way for the creation of a hydrogen economy in Scotland. This would provide a route to market for hydrogen production and the use of hydrogen in other sectors such as transport and power generation.

“We’re looking forward to continue working with the Scottish Government in the coming months to demonstrate the role hydrogen can play in helping meet the needs of customers.”

SGN’s world-first H100 Fife project is spearheading the transition to green energy. We’re developing a hydrogen network in Buckhaven which will bring renewable hydrogen into homes in 2023, providing zero carbon fuel for heating and cooking. In the project’s first phase, the network will heat around 300 local homes using clean gas produced by a dedicated electrolysis plant, powered by a nearby offshore wind turbine.

The full report can be read [here](#).

ENDS

### **Notes to Editors**

Map image caption: A transformational and accelerated pathway to 100% hydrogen for Scotland’s gas networks

More info on H100 Fife: [h100fife.co.uk](https://h100fife.co.uk)

SGN manages the network that distributes natural and green gas to 5.9 million homes and businesses across Scotland, southern England and the western region of Northern Ireland. Our pipes deliver gas safely, reliably and efficiently to every one of our customers.

Since our rebrand in 2014, we are no longer known as Scotland Gas Networks, Southern Gas Networks or Scotia Gas Networks. Please refer to us as gas distribution company SGN.

Whatever time of day or night, anyone who smells gas should dial the National Gas Emergency Number – 0800 111 999\*. Lines are open 24 hours a day, 365 days a year and calls are free.

Find all our press releases and statements on our website – [sgn.co.uk](http://sgn.co.uk)

Like us on Facebook and follow us on Twitter: @SGNgas

\*all calls are recorded and may be monitored

**From:** [redacted]  
**Sent:** 18 February 2022 09:10  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Project Advisory Board - H100 Fife Phase 1 Neighbourhood

Classified as Internal

Good morning all

Please find attached the slides that we ran through on Wednesday's PAB. As discussed the January report will follow once finalised.

Thanks

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 16 March 2022 18:36  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Project Advisory Board - H100 Fife Phase 1 Neighbourhood

Classified as Internal

All

Please find attached slide pack from today's PAB.

Many thanks

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 30 July 2021 16:55  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** H100 Fife July Report

Classified as Internal

Hi [redacted],

As discussed earlier this month, please see attached the monthly report for H100 Fife. Section 8 relates to the Scottish Government Grant.

Kind regards,  
[redacted]

[redacted]  
SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]  
**Sent:** 20 October 2021 09:15  
**To:** [redacted]

**Cc: [redacted]**

**Subject: H100 Fife Monthly Report August & September**

Classified as Internal

Good morning all,

Please see attached the August and September monthly reports for H100 Fife. The latest update - H100 Fife October monthly report will be circulated soon.

Kind Regards

**[redacted]**

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

**From: [redacted]**

**Sent: 01 May 2020 16:54**

**To: [redacted]**

**Cc: [redacted]**

**Subject: Scot Gov Call with SGN**

All,

Thank you for your time this afternoon to discuss the latest on H100 Fife and some of the other projects SGN is seeking funding for. Attached are the slides presented during the call. I've made a note of the following actions, please let me know if there's any inaccuracies.

- **[redacted]** – To arrange follow up call for w/c 4<sup>th</sup> May.
- **[redacted]** – Demonstrate how H100 Fife aligns with 'Section 4' of the GBER rules.
- **[redacted]** – Please facilitate the introduction between **[redacted]** and **[redacted]** to open up conversation for hydrogen courses through SDS/ESP.
- **[redacted]** – Please confirm when known whether any potential Scot Gov grant towards H100 Fife can be accessed prior to match funding being in place.
- **[redacted]** – Can we explore grant mechanisms that allow a funding provision for the H100 land acquisition or lease at Energy Park Fife?

Kind regards,

**[redacted]**

**From:** [redacted]  
**Sent:** 07 May 2020 16:13  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Scot Gov Call with SGN

Hi all,

Thanks again for this afternoon's call. This was a really useful discussion in finding a potential way forward. Here's a summary of the key points and actions.

Key points:

- We've recognised the option for Scottish Government to provide a grant offer letter that commits funding to H100 Fife this year, subject to funding approval by Ofgem (expected November 2020). This would allow financial spend to occur this financial year.
- H100 Fife ISP can be found here: <https://www.ofgem.gov.uk/publications-and-updates/gas-nic-2020-initial-screening-submission-h100-fife> Please note that some of the assumptions in this around cost element allocation will have changed.

[redacted]

Kind regards,  
[redacted]

**From:** [redacted]  
**Sent:** 03 June 2020 16:05  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Scot Gov Call with SGN

[redacted]

Please see below in reference to some of the agreed actions in advance of the call on Friday:

[redacted]

Please get in touch should you need any further info. Otherwise we will speak on Friday.

Many thanks.

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]

**Sent:** 05 June 2020 12:27

**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: Scot Gov Call with SGN

Hi both,

To summarise this morning's call –

Points Agreed/Working Assumptions

- If viable with the grant terms (Scot Gov action below), SGN to submit the entire H100 Fife project for the proposed Scottish Government grant, with a request for a % of the total cost to be contributed to by Scottish Government, in line with the appropriate aid intensity level.

[redacted]

Speak to you again on Tuesday.

Kind regards,

[redacted]

**From:** [redacted]

**Sent:** 29 June 2020 17:00

**To:** [redacted]

**Cc:** [redacted]

**Subject:** H100 Fife

Good Afternoon

SGN is committed to demonstrating solutions that will help to reach the Scottish Government target of net-zero emissions by 2045, and is in a position to evidence the role that hydrogen can play initially in the future of heat, with opportunities for whole systems energy transition.

SGN is contacting you to request approx. £6.9m from the Scottish Government to fund 25% of its flagship [H100 Fife](#) project, a world first-of-a-kind demonstrator of a

100% hydrogen network used to heat an initial 300 domestic properties in Levenmouth, Fife. The green hydrogen will be produced through electrolysis, using electricity predominately derived from offshore wind, resulting in a zero-carbon end to end solution to validate the role of hydrogen in the decarbonisation of heat.

We are bidding in to Ofgem's Network Innovation Competition (NIC) on 31 July 2020 to secure the majority of funding for H100 Fife. Commitment from Scottish Government in advance of this would strengthen this process and provide assurance to Ofgem that all other project funding is secured. Our intention is that Scottish Government funds would be used to carry out front end activities in advance of NIC funding being available in April 2021. Our request is that Scottish Government funding is granted to support the project and is made available from the NIC bid decision date (November 2020). The grant would be conditional on the NIC success.

Find the attached paper which provides further detail on the project, timelines and our ask from the Scottish Government.

We look forward to hearing from you soon to discuss the funding opportunity as well as any additional support the Scottish Government may be able to offer to strengthen our NIC bid, such as a letter of support if this is something the Scottish Government would be happy to provide.

Please get in touch should you have any questions.

Many thanks

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]

**Sent:** 26 November 2020 08:41

**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: H100 Fife Update

Morning both,

Ahead of the call, please find attached a briefing note and associated diagrams to aid the discussion this morning. We also have a more detailed document that sits behind this as a formal response to the Grant terms, which we will share with you shortly, but for the purposes of the hour, the attached gives a succinct overview of the project strategy.

Kind regards,

[redacted]

**From:** [redacted]

**Sent:** 26 November 2020 19:42

**To:** [redacted]

**Cc:** [redacted]

**Subject:** Debrief H100 Fife Scot Gov 26.11.20

Hi all,

Thank you very much for your time today to discuss the spend strategy for H100 Fife and the proposal for the drawdown of the Scottish Government Grant. This is summarised in the briefing note (attachment 1) provided this morning, with the associated diagrams (attachment 2). I'd attached again for completeness. To give an overview of the this morning's discussion, I've noted the main points below. Please do let me know if any of this differs from your understanding.

- There was agreement from everyone on our spend strategy and Scottish Government understood the context for why we have structured it as we have.
- This is to be confirmed by the legal team on the Scot Gov side but there were no concerns to this approach raised on the call.
- This means in principle that the payment for milestone 1 from ScGN to SGN Futures for £6.9m will be sufficient to demonstrate Grant spend this financial year.
- The financial due diligence completed by Scottish Government on Scotland Gas Networks plc remains relevant for the proposed spend strategy.
- With regards to vouching, Scottish Government have requested an invoice to evidence this as per the Grant terms. They will need this invoice to be linked to a bank account to receive the Grant funding (milestone 1 payment).
- Timeline for execution of the Project Agreement between ScGN to SGN Futures is expected in February 2021.
- Scottish Government expressed their preference to remain closely involved in the project beyond the Grant term so that they have oversight and reporting for the duration of the full project. This will be welcomed.

We've attached the detailed response to the Grant terms (attachment 3). In line with the secondary points, we've also attached a mark up of the Grant to update the project details (attachment 4). We mentioned previously that there are some non-material edits to be done to the Grant offer regarding formatting. I would suggest that best next steps is to give yourselves time to review this and then we can set up a follow up discussion to progress.

Happy to keep the dialogue going in the interim and facilitate any of the AOB items discussed on the call (NOx, comms, Ofgem conditions etc).

Kind regards,



**[redacted]**

SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]

**Sent:** 27 November 2020 11:28

**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: Debrief H100 Fife Scot Gov 26.11.20

**[redacted]**

Thanks for this.

One further thing – in reference to the invoicing process.

If you check the offer of grant the invoice process is set out in schedule 2 in a pre-prepared template in which bank account details etc are filled in.

Just follow schedule 2 when you are ready to do so.

**[redacted]**

Scottish Government  
Atlantic Quay,  
Glasgow

**[redacted]**

**From:** [redacted]

**Sent:** 10 December 2020 18:39

**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: Debrief H100 Fife Scot Gov 26.11.20

Hi [redacted],

Hope you are well. We've noted the below. Is there any further comment from the Scot Gov legal team on our approach for the Grant spend strategy?

Kind regards,  
[redacted]

**From:** [redacted]  
**Sent:** 07 January 2021 16:31  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Debrief H100 Fife Scot Gov 26.11.20

Hi [redacted]and HNY all,

Following on from the below and our discussions towards the end of last year, is there any further feedback from the SGov legal team with regards to SGN's approach for the Scottish Government Grant spend strategy? I've attached the debrief email chain for reference and relevant documentation from the meeting. If there is no objection to our proposal, and if it would be useful in the interest of time, SGN are happy to provide the necessary revisions to the Grant wording to reflect this proposed approach and return this to SGov.

Please let us know how you wish to approach this and if SGov would prefer to lead the drafting.

If at all possible, it would also be good if you could provide a note confirming SGov's acceptance of SGN's spend strategy for the Grant.

Kind regards,  
[redacted]

**From:** [redacted]  
**Sent:** 12 January 2021 15:01  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Debrief H100 Fife Scot Gov 26.11.20

Hi [redacted]/all,

Sorry to chase so soon on the below, but we're keen to agree next steps for progressing the Grant and it would be useful if we could rely this back to Ofgem in our Condition 2: Value for Money report which is to be completed end of this week.

Kind regards,  
[redacted]

**From:** [redacted]  
**Sent:** 15 January 2021 14:31  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** FW: Debrief H100 Fife Scot Gov 26.11.20

Hi [redacted],

Regarding the Grant legal comments from SGN, please see email trail below and documents are in the attached from the original call debrief on 26<sup>th</sup> Nov.

Many thanks,  
[redacted]

**From:** [redacted]  
**Sent:** 25 January 2021 08:31  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** FW: Debrief H100 Fife Scot Gov 26.11.20

Morning [redacted],

Hope you had a relaxing weekend and got a break from work.  
In our last discussion we raised SGN's proposed legal comments on the Grant that we presented back in November – we prompted that we're looking for confirmation from Scottish Government that these are acceptable and if so we can make any amendments necessary to the Grant (if agreeable) in the interest of time.

The main takeaway from the November meeting was that yourself and [redacted] were comfortable with the spend strategy presented and the walkthrough of the justification, but this would require review from Scottish Government's legal team.

Is there any update on this?

Many thanks,  
[redacted]

**From:** [redacted]  
**Sent:** 29 January 2021 10:57  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** Debrief H100 Fife Scot Gov 26.11.20  
**Importance:** High

Hi [redacted],

Sorry to chase, but we're really keen to get a response from Scot Gov on the below and attached as we head into February. Please can you provide us with an update?

Many thanks,  
[redacted]

**From:** [redacted]  
**Sent:** 15 January 2021 11:50  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Today

Hi [redacted],

Keen to get your comments/approval on the following wording to include in the Ofgem Condition 2 report. Can go through on the call at 2.

[redacted]

Thanks,  
[redacted]

**From:** [redacted]  
**Sent:** 15 January 2021 10:10  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Today

Great thanks [redacted]– I've put a half hour in the diary. Will aim to share the wording with you beforehand and agree this on the call. If we could also pick up on the attached.

Best regards,  
[redacted]

Classified as Internal

**From:** [redacted]

**Sent:** 15 January 2021 10:06

**To:** [redacted]

**Cc:** [redacted]**Subject:** RE: Today

**WARNING This email is not from the SGN network. Do not open unexpected files or links.**

Yes.

2pm looks okay ?

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow  
[redacted]

**From:** [redacted]

**Sent:** 15 January 2021 10:04

**To:** [redacted]

**Cc:** [redacted]

**Subject:** Today

Morning [redacted],

Do you have any time today for a quick call on the Grant and the wording we're including for Scottish Government in the Condition 2 – Value for Money report?

Thanks,  
[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 15 January 2021 15:05  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Today

[redacted],

Paragraph reworded for Scot Gov's approval:

[redacted]

We'd be grateful if you could confirm/revise this wording before COP Monday 18 January in order to allow us to include it in our report to Ofgem for Condition 2.

Kind regards,

[redacted]

Classified as Internal

**From:** [redacted]  
**Sent:** 15 January 2021 12:32  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Today

**WARNING This email is not from the SGN network. Do not open unexpected files or links.**

[redacted]

This looks like something I need to run past our legal team

Lets talk at 2pm though.

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow

[redacted]

**From:** [redacted]  
**Sent:** 18 January 2021 10:37  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: Today  
**Importance:** High

Morning [redacted],

Just a gentle reminder that we would be extremely grateful if you could confirm approval of the wording below or suggest revisions at your earliest convenience today. We'll be submitting the report to Ofgem before COP today.

Kind regards,  
[redacted]

**From:** [redacted]  
**Sent:** 18 January 2021 15:30  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** SG paragraph within Condition 2 Report

[redacted]

We are content for your inclusion of the paragraph below within your report for Ofgem on Condition 2 report. Can you please provide us with a copy of the finalised report.

[redacted]

Thank you and kindest regards

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow

[redacted]

**From:** [redacted]  
**Sent:** 18 March 2021 13:55  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: SGov Legal Team Response

Hi [redacted],

Any initial feedback on SGN's changes to the Grant? Hopefully no surprises in there. How are we looking for timescales for signing?

Kind regards,  
[redacted]

Classified as Internal

**From:** [redacted]  
**Sent:** 12 March 2021 08:38  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: SGov Legal Team Response

**WARNING This email is not from the SGN network. Do not open unexpected files or links.**

[redacted]

Thank you for this.

I have sent a copy to our SG legal team.

I'll keep in touch.

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow  
[redacted]

**From:** [redacted]  
**Sent:** 11 March 2021 17:33  
**To:** [redacted]



**Cc:** [redacted]

**Subject:** RE: SGov Legal Team Response

[redacted],

Please find attached the updated Scottish Government Grant to reflect the agreed points below using tracked changes for easiness. We have also updated 2.4 and 2.5 to give an accurate account based on the programme delivery.

We can make ourselves available for a call to discuss as required.

Kind regards,

[redacted]

Classified as Internal

**From:** [redacted]

**Sent:** 12 February 2021 11:55

**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: SGov Legal Team Response

**WARNING This email is not from the SGN network. Do not open unexpected files or links.**

[redacted],

Thank you for the email below.

In your table provided earlier in the email conversations and attached here for reference

As I see it there are 4 issues to consider and I have summarised our responses below:

1. Concerns Schedule 1 Part 2 of the offer of grant – relating to payment of the grant and how this will be scheduled and managed – this is fine as proposed and raises no issues for us.
2. Concerning clause 6 of the offer of grant - Disposal of Assets and Clause 10 Assignment – this is fine as proposed and raises no issues for us.
3. Concerning clause 9 of the offer of grant - Default and Recovery etc. of Grant and clause 11 Termination – concerning how dispute resolution will be managed - we have no problem in principal with the inclusion of a dispute resolution clause and we are content for SCgn to offer a draft for consideration provided that Scottish Minister's retain the rights under 9.1 in the event of a Default.

4. Concerning clause 8 of the offer of grant – Intellectual Property Rights - we are content for ScGN to draft any such amendments to the IP clause or any other provisions for our consideration.

My legal colleagues will be standing by to hopefully turn around and review any drafts swiftly.

I hope this is clear but please contact me if you need any clarification.

Kindest

Regards

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow  
[redacted]

**From:** [redacted]  
**Sent:** 12 February 2021 10:13  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** SGov Legal Team Response

Hi [redacted],

Following our call on Tuesday, we were expecting a response from SGov legal on Wednesday addressing SGN's comments on the Grant terms, can we expect this today?

Kind regards,

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 19 March 2021 11:13  
**To:** [redacted]  
**Sent:** 19 March 2021 14:16  
**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: SGov Legal Team Response

[redacted]

Many thanks for the below and our discussion this morning.

I can confirm that SGN is happy with the marked up version provided. Please find attached which I have marked up changes to 2.4 as discussed (I've reinserted the previously agreed text).

Please advise if this is agreeable or get in touch if you think further changes are necessary.

Kind regards

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]

**Sent:** 23 March 2021 12:57

**To:** [redacted]

**Cc:** [redacted]

[redacted]

Please see attached signed offer of grant refreshed with today's date.

This is now ready for SGN acceptance and signature.

Kindest regards

[redacted]

Scottish Government  
Atlantic Quay,  
Glasgow

[redacted]

Kersti Berge  
Director Energy and Climate Change  
Scottish Government  
[redacted]

John Morea  
CEO  
SCOTLAND GAS NETWORKS PLC  
Axis House  
5 Lonehead Drive,  
Edinburgh  
EH28 8TG

Your ref: Your Ref.  
Our ref: Our Ref.

**23 March 2021**

Dear John,

**OFFER OF GRANT FOR SCOTLAND GAS NETWORKS PLC** (Company Number SC264065) whose registered office is Axis House 5 Lonehead Drive, Newbridge, Edinburgh EH28 8TG (“ScGN”) **to carry out the H100 FIFE PROJECT.**

**WHEREAS:**

The Scottish Ministers in exercise of their powers by virtue of section 53 of the Scotland Act 1998, as amended, hereby offer to give ScGN (“the Grantee”) a grant of up to £6,900,000 STERLING, payable over the financial year 31/03/2021 in connection with the H100 FIFE PROJECT, which is more particularly described in Part 1 of [SCHEDULE 1](#) (the “Project”) subject to the following terms and conditions:

**1. Definitions and Interpretation**

1.1 In these Conditions, the words and expressions set out in

**SCHEDULE 4** shall have the meanings ascribed to them in that Schedule.

1.2 In these Conditions unless the context otherwise requires, words denoting the singular shall include the plural and vice versa and words denoting any gender shall include all genders.

1.3 The headings in these Conditions are for convenience only and shall not be read as forming part of the Conditions or taken into account in their interpretation.

- 1.4 Except as otherwise provided in these Conditions, any reference to a clause, paragraph, sub-paragraph or schedule shall be a reference to a clause, paragraph, subparagraph or schedule of these Conditions. The schedules are intended to be contractual in nature. They form part of the Agreement and should be construed accordingly.
- 1.5 This Agreement shall not be varied except by an instrument in writing signed by both parties.

## 2. Purposes of the Grant

- 2.1 The Grant is made to enable the Grantee to carry out the Project.
- 2.2 The Grant shall only be used for the purposes of the Project and for no other purpose whatsoever.
- 2.3 No part of the Grant shall be used to fund any activity or material which is party political in intention, use, or presentation or appears to be designed to affect support for a political party.
- 2.4 The expected outcomes of the Grant are:  
The Land at Energy Park Fife
1. The securing of the land at Energy Park Fife enables works to commence on site immediately following NIC funds being available (April 2021). The first phase of construction will be the demonstration facility build. Having the land in place ensures this programme can commence immediately allowing the demo facility to be in place 10 months prior to the longer lead customer installation phase of the project. These 10 months will be utilised for customer engagement with the aim of having 300 homes signed up to the demonstration in advance of the completion of distribution network construction.
  2. Long Lead Items Acquisition- Electrolyser and Hydrogen Storage Tanks  
Long lead items in place in line with construction timeline ensuring project objectives can be met. Overall detailed designs continued to completion with input from electrolyser supplier. Ensuring Main Works Contract let in line with programme. together with associated equipment and installation  
**(“Scottish Government Grant Funded Activities” or “SGGFA”)**
- 2.5 The Project Milestones against which progress in achieving expected outcomes shall be monitored are:
- Key Project Milestones
    - Detailed designs and specifications produced - September 2021
      - Electrolyser Supplier selected and design pack delivered
      - Hydrogen storage tank detailed designs completed
    - Demonstration Facility Constructed - March 2022
      - Land at Energy Park Fife Secured
    - Construction Phase Completed - December 2022
      - Electrolyser delivery completed
      - Hydrogen storage tank delivery completed

- Site commissioned

2.6 The eligible costs for which the Grant can be claimed are:

- Costs associated with the SGGFAs as described in clause 2.4.

2.7 The eligible costs exclude:

- Any Value Added Tax (VAT) reclaimable by the Grantee

### **3. Payment of Grant**

3.1 The Grant shall be paid by the Scottish Ministers to the Grantee in accordance with the terms of [SCHEDULE 1](#) attached.

3.2 The Grantee shall within 60 days of receiving the final instalment of the Grant submit to the Scottish Ministers a statement of compliance with the Conditions of the Grant using the form of words provided in

**SCHEDULE 3.** The statement shall be signed by the Grantee's

3.3 In the event that the amount of the Grant paid by the Scottish Ministers to the Grantee at any point in time is found to exceed the amount of the expenses reasonably and properly incurred by the Grantee in connection with the Project/Programme, the Grantee shall repay to the Scottish Ministers the amount of such excess within 14 days of receiving a written demand for it from or on behalf of the Scottish Ministers. In the event that the Grantee fails to pay such amount within the 14 day period, the Scottish Ministers shall be entitled to interest on the sum at the rate of 2 per cent per annum above the Bank of England base lending rate prevailing at the time of the written demand from the date of the written demand until payment in full of both the sum and the interest.

3.4 The Scottish Ministers shall not be bound to pay to the Grantee, and the Grantee shall have no claim against the Scottish Ministers in respect of, any instalment of the Grant which has not been claimed by the Grantee by 31 March of the applicable financial year as set out in [SCHEDULE 1](#), unless otherwise agreed in writing by the Scottish Ministers.

### **4. Inspection and Information**

4.1 The Grantee shall keep the Scottish Ministers fully informed of the progress of the Project/Programme in the form of monthly reports and monthly progress meetings or calls with key officials. Details shall include actual expenditure to date compared with profiled expenditure and any change to estimated expenditure for the financial year and/or the Project as a whole, the reasons for any such changes and progress in achieving objectives/outcomes.

4.2 Revisions to targets/milestones against which progress in achieving objectives/outcomes are monitored shall be subject to the written agreement of the Scottish Ministers.

- 4.3 The Grantee shall, on completion of the Project, submit a report to the Scottish Ministers summarising the outcomes and performance of the Project. Such a report shall include such statistical and other information relating to the impact of the Project as shall be required by the Scottish Ministers.
- 4.4 The Grantee shall also provide any other information that the Scottish Ministers may reasonably require to satisfy themselves that the Project/Programme is consistent with the Agreement. The Grantee shall provide the Scottish Ministers with prompt access to any information they reasonably require to ensure compliance with these Conditions.
- 4.5 The Grantee shall keep and maintain for a period of up to 6 years after the expenditure occurs, adequate and proper records and books of account recording all receipts and expenditure of monies paid to it by the Scottish Ministers by way of the Grant. The Grantee shall afford the Scottish Ministers, their representatives, the Auditor General for Scotland, his/her representatives and such other persons as the Scottish Ministers may reasonably specify from time to time, such access to those records and books of account as may be required by them at any reasonable time in response to a written request for such access from the person seeking it. The Grantee shall provide such reasonable assistance and explanation as the person carrying out the inspection may from time to time require.
- 4.6 In the event of the Grantee becoming aware of or suspecting any irregular or fraudulent activity that may have any impact on the Project or on the use of the Grant, or any part of it, the Grantee shall immediately notify the Scottish Ministers of such activity and provide such other information as the Scottish Ministers may reasonably require in relation to the impact on the Project and the use of the Grant.
- 4.7 The grantee shall immediately inform the Scottish Ministers of any change in its constitution for example, but not limited to, a change in status from one type of body corporate to another.

## **5. Confidentiality and Data Protection**

- 5.1 The Grantee will respect the confidentiality of any commercially sensitive information that they have access to as a result of the Project.
- 5.2 Notwithstanding the above, the Grantee may disclose any information as required by law or judicial order. All information submitted to the Scottish Ministers may need to be disclosed and/or published by the Scottish Ministers. Without prejudice to the foregoing generality, the Scottish Ministers may disclose information in compliance with the Freedom of Information (Scotland) Act 2002, any other law, or, as a consequence of judicial order, or order by any court or tribunal with the authority to order disclosure. Further, the Scottish Ministers may also disclose all information submitted to them to the Scottish or United Kingdom Parliament or any other department, office or agency of Her Majesty's Government in Scotland, in right of the Scottish Administration or the United Kingdom, and their servants or agents. When disclosing such information to either the Scottish Parliament or the United Kingdom Parliament it is recognised and agreed by both

parties that the Scottish Ministers shall if they see fit disclose such information but are unable to impose any restriction upon the information that it provides to Members of the Scottish Parliament, or Members of the United Kingdom Parliament; such disclosure shall not be treated as a breach of this agreement.

- 5.3 The Grantee shall ensure that all requirements of the Data Protection Laws are fulfilled in relation to the Project.
- 5.4 To comply with section 31(3) of the Public Services Reform (Scotland) Act 2010, the Scottish Ministers publish an annual statement of all payments over £25,000. In addition, in line with openness and transparency, the Scottish Government publishes a monthly report of all payments over £25,000. The Grantee should note that where a payment is made in excess of £25,000 there will be disclosure (in the form of the name of the payee, the date of the payment, the subject matter and the amount of grant) in both the monthly report and the annual Public Services Reform (Scotland) Act 2010 statement.

## **6. Disposal of Assets**

6.1 The Scottish Ministers agree that the Grantee shall be entitled to dispose of any asset funded in whole or in part with the Grant funds to any Affiliate and the provisions of clause 6.2 shall not apply in those circumstances. Where the Grantee does so pursuant to this clause, then the Grantee shall procure that the Affiliate shall comply with these terms as if it was a party to it.

6.2 Subject to clause 6.1, the Grantee shall not, without prior written consent of the Scottish Ministers, dispose of any asset funded, in part or in whole, with Grant funds within 5 years of the asset being acquired or developed. During that period the Scottish Ministers shall be entitled to the proceeds of the disposal – or the relevant proportion of the proceeds based on the percentage of grant funding used in connection with the acquisition or improvement of the asset against the whole proceeds. The Scottish Ministers shall also be entitled to the relevant proportion of any proceeds resulting from any provision included as a condition of sale. Recovery by the Scottish Ministers shall not be required where the value of the asset is less than £10'000.

## **7. Publicity**

The Grantee shall where reasonably practicable acknowledge in all publicity material relating to the Project the contribution of the Scottish Ministers to its costs. The Scottish Ministers may require to approve the form of such acknowledgement prior to its first publication.

## **8. Intellectual Property Rights**

8.1 This Agreement does not affect the ownership of any background intellectual property (BIPR), it shall remain the property of the party of any relevant third party that contributes to the Project and no licence to use any intellectual property is granted or implied by this Agreement unless explicitly stated.



- 8.2 The Grantee shall own all project foreground intellectual property rights (PFIPR). The Grantee grants to the Crown a royalty free, non-exclusive, non-transferable licence to use the PFIPR:
- a) for the purpose of carrying out the Project;
  - b) to conduct their own internal research and development; and
  - c) for internal business purposes,
- 8.3 To the extent that any such relevant background intellectual property is owned by the Grantee which forms part of the PFIPR, and such is required by the Crown to enjoy the benefit of the PFIPR as described within clause 8.2, then the Grantee shall grant a licence to the Crown for the purposes of enjoying the FIPR pursuant to Clause 8.2.
- 8.4 The Grantee shall ensure that nothing contained in any materials produced or submitted to the Scottish Ministers by the Grantee or anyone acting on its behalf nor the reproduction of such materials, shall constitute an infringement of any third party copyright or intellectual property right and shall indemnify the Scottish Ministers against all actions, proceedings, claims and demands made by reason of any such infringement.

## **9. Default and Recovery etc. of Grant**

- 9.1 Subject to the provisions of clause 9.A, the Scottish Ministers may re-assess, vary, make a deduction from, withhold, or require immediate repayment of the Grant or any part of it in the event that:
- 9.1.1 subject to Clause 9.5, the Grantee commits a Default;
  - 9.1.2 the Scottish Ministers consider that any change or departure from the purposes for which the Grant was awarded warrants an alteration in the amount of the Grant;
  - 9.1.3 the Grantee fails to carry out the Project by not achieving a Project Milestone.
  - 9.1.4 in the Scottish Ministers' reasonable opinion, the progress on the Project against the Project Milestones is not satisfactory; or
  - 9.1.5 in the Scottish Ministers' reasonable opinion, the future of the Project is in jeopardy.
- 9.2 If the Grant (or any part or condition thereof) does not comply with applicable Subsidy Control obligations, Scottish Ministers may require immediate repayment of the Grant or any part of it together with interest at such rate and on such basis as may be determined from time to time in accordance with law.
- 9.3 The Scottish Ministers may withhold the payment of the Grant if at any time within the duration of the Agreement:

- 9.3.1 The Grantee passes a resolution that it be wound up, or a court makes an order that the Grantee be wound up, in either case otherwise than for the purposes of reconstruction or amalgamation, or circumstances arise which would enable a court to make such an order or the Grantee is unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986;
- 9.3.2 Where the Grantee is an individual, if a petition is presented for the Grantee's bankruptcy or the sequestration of his estate or a criminal bankruptcy order is made against the Grantee; or the Grantee makes any composition or arrangement with or for the benefit of creditors, or makes any conveyance or assignation for the benefit of creditors, or if an administrator or trustee is appointed to manage his affairs; or
- 9.3.3 A receiver, manager, administrator or administrative receiver is appointed to the Grantee, or over all or any part of the Grantee's property , or circumstances arise which would entitle a court or a creditor to appoint such a receiver, manager, administrator or administrative receiver.
- 9.4 In the event that the Grantee becomes bound to pay any sum to the Scottish Ministers in terms of clause 9.1, the Grantee shall pay the Scottish Ministers the appropriate sum within 14 days of a written demand for it being given by or on behalf of the Scottish Ministers to the Grantee. In the event that the Grantee fails to pay the sum within the 14 day period, the Scottish Ministers shall be entitled to interest on the sum at the rate of 2 per cent per annum above the Bank of England base lending rate prevailing at the time of the written demand, from the date of the written demand until payment in full of both the sum and interest.
- 9.5 In the event that the Grantee is in Default of any of the Conditions, the Scottish Ministers may, provided that the Default is capable of a remedy, postpone the exercise of their rights to recover any sum from the Grantee in terms of clause 9 for such period as they see fit, and may give written notice to the Grantee requiring it to remedy the Default within such period as may be specified in the notice (which shall be no less than 30 days). In the event of the Grantee failing to remedy the Default within the period specified, the Grantee shall be bound to pay the sum to the Scottish Ministers in accordance with the foregoing provisions.
- 9.6 Any failure, omission or delay by the Scottish Ministers in exercising any right or remedy to which they are entitled by virtue of clauses 9.1 to 9.3 shall not be construed as a waiver of such right or remedy.

#### **9.A. Dispute Resolution**

- 9.A.1 If any dispute arises out of or in connection with the Agreement (Dispute), the Parties agree, within 10 days of a written request, to meet in a good faith effort to resolve the Dispute in the first instance and work together in a spirit of collaboration in resolving any Dispute.

9.A.2 In the event that any Dispute cannot be resolved within thirty (30) days after being referred then the Dispute shall be referred for resolution to a senior executive of each Party with authority to settle the Dispute. The senior executives use good faith efforts to resolve the Dispute within fourteen (14) days after the referral.

## **10. Assignment**

the Grantee shall not be entitled to assign, sub-contract or otherwise transfer its rights or obligations under the Agreement without the prior written consent of the Scottish Ministers. However, the Grantee may carry out its obligations and exercise its rights or obligations through any Affiliate without the consent of the Scottish Ministers and this Agreement shall be construed accordingly. Where the Grantee does so then the Grantee concerned shall procure that its Affiliate complies with these terms as if it were Parties to it.

## **11. Termination**

The Agreement may be terminated by the Scottish Ministers giving not less than 3 months' notice in writing from the date of the notice being sent.

## **12. Corrupt Gifts and Payments of Commission**

The Grantee shall ensure that its employees shall not breach the terms of the Bribery Act 2010 in relation to this or any other grant. The Grantee shall ensure that adequate controls are in place to prevent bribery.

## **13. Continuation of Conditions**

- 13.1 These Conditions, except for Condition 6, shall continue to apply for a period of 5 years after the end of the financial year in which the final instalment of the Grant was paid.
- 13.2 Condition 6 shall continue to apply until the end of the period referred to in that Condition.

## **14. Compliance with the Law**

The Grantee shall ensure that in relation to the Project, they and anyone acting on their behalf shall comply with the relevant law, for the time being in force in Scotland.

## **15. Governing Law**

This contract is governed by the Law of Scotland and the parties hereby prorogate to the exclusive jurisdiction of the Scottish Courts

If you wish to accept the offer of this Grant on the whole terms and conditions as set out in the letter and annexed Schedules, you should sign and date both copies of the Grant Acceptance below and return one copy of the offer of Grant and Schedules to me at Scottish Government,

Energy Business Management Unit, 5 Atlantic Quay, Broomielaw, Glasgow G2 8LU. You should retain the second copy of the offer of Grant and Schedules for your own records.

Yours sincerely



Kersti Berge  
Director Energy and Climate Change  
Scottish Government  
5 Atlantic Quay,  
Glasgow  
G2 8LU  
23 March 2021

#### **GRANT ACCEPTANCE**

On behalf of «Grantee» I accept the foregoing offer of Grant by the Scottish Ministers dated [Click here to enter a date](#) on the whole terms and conditions as set out in the letter and annexed Schedules. I confirm that «insert name of Grantee» is solvent. I confirm that I hold the relevant signing authority.

Signed:

«Director/Company Secretary/Authorised Signatory»

Print Name:

Position in Organisation of Person Signing:

Date: [Click here to enter a date.](#)

Place of Signing:

Signed:

«Witness»

Witness Name:

Address:

Date: [Click here to enter a date.](#)

Place of Signing:

## **SCHEDULE 1**

### **PART 1: THE PROJECT/PROGRAMME**

#### **H100 Fife (The Project)**

The H100 Fife Project will be delivered by Scotland Gas Networks PLC (SGN).

#### **Project Context**

SGN operates the network that distributes natural and green gas to homes and businesses across Scotland and the south of England delivering a safe, secure and reliable gas supply to almost 6 million customer connections through 74,000km of pipeline.

The H100 Fife project is SGN's flagship project and forms a key component of the wider Gas Goes Green programme proposed by the Energy Network Association.

Gas Goes Green is the world's first comprehensive programme to decarbonise the gas grid and transform the UK gas networks to deliver net zero emissions gas to consumers across the UK. The programme brings together the engineering expertise from the UK's five gas network operators, building on the foundations of our existing grid infrastructure, research and innovation programmes.

Hydrogen is now at the market creation stage but requires demonstration in order to facilitate its potential role in the decarbonisation of heat. H100 Fife can deliver on this demonstration and can also navigate unprecedented solutions to regulatory and funding barriers for an end to end system that includes gas generation, storage and distribution to the end user.

#### **Overall Project Cost**

The overall costs of the H100 Fife Project are £27.7 million. This grant contributes £6.9m to the project which equates to 25% of the total project costs and will focus on the enabling works for the project.

The remainder of the funding is structured as follows:

<b>Funder</b>	<b>Value (£m)</b>	<b>Percentage</b>
Ofgem NIC	18.3	66%
Network Licensee Contribution	0.8	3%
SGN	1.7	6%
Scottish Government	6.9	25%
<b>Total</b>	<b>27.7</b>	<b>100%</b>

## **Project Details**

The H100 Fife project will build and deliver a world's first-of-a-kind 100% hydrogen gas network in Levenmouth, Fife supplying around 300 domestic properties initially.

This will be a newly constructed hydrogen generation and storage solution, supplying a distribution network, comprising of fully tested common natural gas components and fittings, laid in parallel to the existing gas network delivering an end-to-end hydrogen system. An existing 7MW offshore wind turbine at Energy Park Fife will be used as the primary power supply for electrolysis of hydrogen.

The Project will deliver the following which includes the SGGFA:

- Connections to an existing 7MW offshore wind turbine to secure renewable electricity to directly supply electrolyser units for hydrogen production.
- Six above ground hydrogen storage tanks, operating at 30bar with additional connectivity.
- Control systems necessary to safely and efficiently integrate the component parts of the project.
- A hydrogen demonstration facility for customers, training and education.
- A new polyethylene pipe distribution network passing 1000 homes.
- Target of 300 domestic customers and associated service pipes and meters.
- Installation of 300 domestic boilers, with options for fires, cookers and hobs.
- Various sensing technologies for network validation.
- A manned site for maintenance and emergency service provision.
- Bespoke billing arrangements systems supported by commodity balancing.
- Local operating procedures and training.

The project timescale is to begin the project in November 2020 (subject to a positive funding response from Ofgem) and to deliver the project development phase in 2020, ready for construction in 2021. The project plans to be operational by the end of 2022 to start of 2023 and will run for 5 years.

## **Outcomes (High Level)**

- Validation of the extensive hydrogen research carried out under H100 NIA and other key national collaboration projects, such as H21 and the BEIS UK Funded Hy4Heat programme.
- Evidencing the continued viability of the ongoing transition to PE pipes in the gas network and its suitability for transporting hydrogen.

- Offers hydrogen appliance manufacturers an opportunity to market and demonstrate hydrogen boilers, hobs, cookers, and fires.
- Social acceptance and customer consented participation
- Critical insight into demand and supply management, security of supply and 'real world' asset operation.
- A test bed for regulatory models.
- Delivery of a key step on the decarbonisation pathway, collaboratively set out.
- Key evidence for heat policy decisions.
- A platform for establishing Hydrogen as an energy vector, with opportunities across all sectors.
- Demonstrating a route to facilitate market growth of offshore wind through hydrogen production using a cheap primary energy that is currently at a record low cost.
- Possibility of progressing into further demonstration and evidencing projects due to the potential of the local area.
- Demonstrates the storage and transportation of renewable energy as through hydrogen as opposed to electricity.
- A legacy for hydrogen testing and training by delivering a hydrogen demonstration facility that can be used for a multitude of purposes such as:
  - Serving as a testing facility that can be used to satisfy the viability of hydrogen in unoccupied premises.
  - Delivering a training centre that is critical for the industry going forward in the future of energy landscape.
- Offering hydrogen appliance manufacturers an opportunity to market and demonstrate hydrogen boilers, hobs, cookers, and fires.
- Boosts the economic development of an area that is typically recognised as an area of high deprivation.

### **Reporting requirements: Project Progress Report (PPR)**

The Grantee will be required to provide a detailed report, the Project Progress Report (PPR), on a monthly basis which contains sufficient detail to allow the Scottish Ministers to evaluate the progress of the Project. The PPR should also list any key issues, deliverables or events encountered in the period in detail, progress against budget and should briefly describe key planned activities for the next reporting period.

A final Project Report should be provided to Scottish Ministers within one month of the close of the project.

## **PART 2: PAYMENT OF GRANT**

1. The total Grant of up to £6,900,000 STERLING shall be payable by the Scottish Ministers to the Grantee on receipt of a completed claim for Grant in the form set out in [SCHEDULE 2](#) together with the associated monitoring information set out in paragraph 4.1 of the Offer of Grant.

2. The total Grant shall be payable over the financial year 20/21. The Scottish Ministers shall not be bound to pay any instalment of the Grant which has not been claimed by the Grantee by 31 March of the applicable financial year, unless otherwise agreed in writing by the Scottish Ministers.

3. The Grantee shall claim the Grant in full. Any change to the profile or to the overall costs of the Project/Programme shall be notified to the Scottish Ministers at the earliest opportunity via the claims for Grant and monitoring reports.

4. Each claim shall be for an amount equal to the actual reasonable and proper costs and expenses incurred by the grantee in connection with the project

5. Each claim shall be submitted together with such explanatory or supplementary material as the Scottish Ministers may from time to time reasonably require whether before or after submission of the claim.

6. On receipt of each claim (and any required documentation and information), the Scottish Ministers shall determine the amount of expenditure which they consider the Grantee has reasonably and properly incurred or committed to in connection with the Project having regard to that claim. The determination shall be based on the information provided by the Grantee in accordance with this Schedule. The Scottish Ministers shall use their best endeavours (but shall be under no obligation or duty) to pay the amount determined to the Grantee within 4 weeks of receiving a claim and any required documentation and information relevant to the claim.

7. In order to facilitate the accrual of expenditure of the Grant, the Grantee can advise the Scottish Ministers that the full amount of the Grant shall be claimed in accordance with this schedule by 31 March 2021.

8. The nature of the financial support provided will be in the form of a grant awarded under the rules set out in Article 25 of the General Block Exemption Regulation which covers aid for research and development projects.

9. Payment of this grant will be dependent on the grantee securing the remainder of the total funding of £27.7m cost of the project from the co-funders in this project as listed below which the parties acknowledge has been secured.

### **Overall Project Cost**

The overall costs of the H100 Fife Project are £27.7 million. This grant from Scottish Ministers contributes £6.9m to the project which equates to 25% of the total project costs and will focus on the enabling works for the project.

The remainder of the funding is structured as follows:

<b>Funder</b>	<b>Value (£m)</b>	<b>Percentage</b>
Ofgem NIC	18.3	66%
Network Licensee Contribution	0.8	3%
SGN	1.7	6%



Scottish Government	6.9	25%
<b>Total</b>	<b>27.7</b>	<b>100%</b>

## SCHEDULE 2

### GRANT CLAIM FORM

**Organisation:** Scotland Gas Networks plc

**Bank details:**

- Account Name: [redacted]
- Sort Code: [redacted]
- Account Number: [redacted]

**Project:** H100 Fife Project

**Total agreed grant for:** £6.9m

**Latest forecast of expenditure of grant for:**

**Grant claimed to date:** nil

«Unexpended grant»: «Amount» (*where grant is paid in advance*)

«Claim for grant» or «Estimate of grant required» for the period from Click here to enter a date. to Click here to enter a date. or to Click here to enter a date.: «Amount»

**We hereby claim «total» grant of «£XX» in respect of the above period in accordance with the terms and conditions of the offer of Grant dated Click here to enter a date. and the Schedules attached thereto.**

**Completed by:**

**Position:**

**Contact Details:**

**Date:**

**Items of Expenditure**

Please list in the table below all discrete items of expenditure relevant to the above period and the type of documentary evidence that «X has been submitted» or «X will be made available on request» to substantiate each amount.

A	B	C	D
Item	Amount (£)	Paid Invoice [Y/N]	Other (please specify, e.g. certificate of payment in kind)
<b>TOTAL*</b>			

\* Note the total should add up to the total expenditure claimed for the period.

### SCHEDULE 3

#### STATEMENT OF COMPLIANCE WITH CONDITIONS OF GRANT

«Name of the Project»

This is to confirm that the grant claimed by «name of Grantee» in relation to the above Project/Programme during the financial year ended 31 March 20«XX» was properly due and was used for its intended purpose(s) in accordance with the terms and conditions of the Grant. This statement is supported by the records of «name of Grantee».

Signed:

Name in block capitals:

Position:

Date: [Click here to enter a date.](#)

### SCHEDULE 4

#### DEFINITIONS

**“Affiliate”** means, in relation to a company, a company which is a subsidiary or the ultimate holding company of it, or any company which is a subsidiary of such holding company, as subsidiary and holding company are defined in section 1159 of the Companies Act (as amended);

**“Agreement”** means the agreement constituted by the Scottish Ministers’ invitation to apply for a grant, the Grantee’s Application, these Conditions and the Grantee’s acceptance of these Conditions;

**“Background Intellectual Property (“BIPR”)** means any Intellectual Property owned by or licenced to a party which is in existence at the date of the Project;

**“Conditions”** means these grant conditions;

**“Data Protection Laws”** means any law, statute, subordinate legislation, regulation, order, mandatory guidance or code of practice, judgment of a relevant court of law, or directives or requirements of any regulatory body including the Data Protection Act 1998, the Data Protection Act 2018 and any statutory modification or re-enactment thereof and the GDPR.

**“Default”** means:

- a) Any breach of the material obligations of either party under this Agreement (including, but not limited to, any breach of any material undertaking or warranty given under or in terms of this Agreement);
- b) Any failure to perform or unsatisfactory performance the Project Milestones which have not been resolved in the first instance under the dispute resolution process within the Agreement.
- c) the negligent performance of any obligation under this Agreement;
- d) Any breach of any legislation; or
- e) Any negligence or negligent or fraudulent miss-statement or misappropriation of Grant, or any other default,

In all cases by either party, its employees, agents or representatives;

**“Financial Year”** means a period from 1 April in one year until 31 March in the next;

**“Grant”** means the grant offered by the Scottish Ministers to the Grantee as specified in the Award Letter, as varied from time to time in accordance with these Conditions;

**“Grantee”** means the person, organisation or body to which the Grant will be payable as specified in these Conditions. Where two or more persons, organisations or bodies are the Grantee, references to the “Grantee” are to those persons, organisations or bodies collectively and their obligations under the Agreement are undertaken jointly and severally;

**“Project Foreground Intellectual Property Rights (“PFIPR”)** means all copyright, patent, trademark, design right, database right and any other right in the nature of intellectual property whether or not registered, in any materials or works in whatever form (including but not limited to any materials stored in or made available by means of an information technology system and the computer software relating thereto) which are created, produced or generated as part of the Project by or on behalf of the Grantee.

**“Project/Programme”** means the purpose for which the Grant has been awarded as described in the Offer of Grant;

**“Payment”** means each of the payments specified in Schedule 1 hereto; and

**“Subsidy Control”** means the United Kingdom’s international commitments on subsidy control arising from, amongst others, the EU-UK Trade and Cooperation Agreement, World Trade Organisation Membership and commitments arising from international treaties and agreements to which the United Kingdom is a party.

**From:** [redacted]  
**Sent:** 23 March 2021 14:44  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** RE: SGov Legal Team Response

[redacted],

Excellent, will do, thanks

[redacted]  
**SGN, Axis House, 5 Lonehead Drive, Newbridge, Edinburgh, EH28 8TG**  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]  
**Sent:** 24 September 2021 10:17  
**To:** [redacted]  
**Cc:** [redacted]  
**Subject:** Electrolyser Award

Classified as Internal

[redacted]

[redacted] as discussed this morning.

Very pleased to advise that we have now signed a contract with NEL Hydrogen Electrolyser AS for the supply of a 5MW electrolyser for the supply of hydrogen to our H100 Fife project. This is a significant milestone for the project and it is fantastic to have reached this stage with the support of the Scottish Government. Please see below the NEL press release issue to the Oslo stock exchange as per the Norwegian rules regarding announcing contracts for floated companies.

<https://nelhydrogen.com/press-release/nel-asa-receives-purchase-order-for-5mw-alkaline-electrolyser/>

SGN will be issuing our own press release this morning, we will forward a link to this also once issued.

[redacted] as discussed, I will follow on with some suggested dates to arrange a project update call with [redacted] and you next week.

Many thanks

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG  
[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]

**Sent:** 24 September 2021 12:13

**To:** [redacted]

**Cc:** [redacted]

**Subject:** RE: Electrolyser Award

Classified as Internal

Hi all,

SGN's press release can be found here: <https://sgn.co.uk/news/hydrogen-electrolyser-purchased-nel-our-world-first-project-fife>

Many thanks,  
[redacted]

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]

**Sent:** 28 September 2021 16:21

**To:** [redacted]

**Cc:** [redacted]

**Subject:** H100 Fife - Electrolyser Award

Classified as Internal

Hi all,

We're pleased to share the news with you all that we have officially appointed Nel as the electrolyser contractor for the H100 Fife project. Nel offered a strong tender response with regards to hydrogen availability and system reliability, giving SGN confidence that they are best placed to support the project's customer supply requirements. We're delighted to have Nel on board as part of the project, and as the electrolyser is one of the key long lead items associated with the system, concluding this contract assists the programme and critical path milestones keeping us on track for the first homes on hydrogen at the beginning of 2023.

In response to Nel's [press release](#), SGN issued our own [press release](#) on this which you may have already seen.

Many thanks,

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge, EH28 8TG

**From:** [redacted]

**Sent:** 29 March 2022 18:56

**To:** [redacted]

**Subject:** RE: H100 FIFE - Tax issues

Classified as Internal

Hi [redacted]

Hope you are well.

Please find attached briefing note which defines the domestic hydrogen supply VAT problem. Happy to discuss the issues this causes and what we are doing to seek to mitigate should the preferred solution (law change via HMT as per attached) not materialise.

I am free Tomorrow at 10am, Monday 4<sup>th</sup> at 2pm, Wednesday 6<sup>th</sup> at 1pm, Thursday (7<sup>th</sup>) all afternoon or anytime Friday 8<sup>th</sup>?

Please let me know and I can set up a call.

Thanks

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

# H100 Village

# Hydrogen VAT

2<sup>nd</sup> March 2022

## 1.1 Hydrogen VAT

### **Background**

An issue regarding VAT has been identified as Hydrogen does not qualify for the same 5% reduced rate of VAT that applies to Natural gas when supplied for domestic use, and is subject to VAT at the standard rate of 20% instead.

The VAT issue is a significant risk to the delivery of the trials, including the Neighbourhood and the Village, but also to the Hydrogen system transformation.

This issue will manifest both in terms of cost, but also how the VAT would be managed within the regulatory framework established to ensure that customers are not disadvantaged in any way and how obligations will be managed within any project.

### **HMRC guidance**

HMRC's Fuel and power VAT Notice (701/19) provides guidance in paragraph 4.1 that gases supplied for a domestic use are liable to VAT at the reduced rate, however paragraph 4.3 of the same VAT Notice specifically names hydrogen as a gas which is standard-rated for VAT purposes regardless of how it's used.

Given the intention of the law appears to be to allow for reduced rating where there is a domestic supply of fuel and power, and the use of hydrogen gas in this context would be to replace the supply of normal hydrocarbon gases (methane), it was requested that HMRC update their guidance to reflect the new intended domestic use of hydrogen which would not have been considered when it was originally written.

HMRC provided a robust response stating that, under current law, the reduced rate of VAT on domestic fuels can only apply to the specific gases listed in section 7A of the VAT Act 1994 and therefore the guidance cannot be extended to include Hydrogen at this time.

### **VAT law**

The Value Added Tax Act 1994 is still the most current piece of primary VAT legislation and has generally been slow-paced to enact changes in line with scientific and technological advancements, partly due to a historic dependency on EU law. VAT law is written in a way that all goods and services are subject to the standard rate of 20% VAT unless specifically excluded by the schedules in the VAT Act. Schedule 7A covers all items charged at the reduced rate of 5% and supplies of domestic fuel and power are included within Group 1 of this schedule. The list of gases which qualify for the reduced rate are limited to coal gas, water gas, producer gas, petroleum gases or other gaseous hydrocarbons. Clearly, Hydrogen for home heating could not have been considered when the VAT legislation was drafted in 1994, since Hydrogen heating for homes has never been implemented, and of course no revenue from such an activity has been received.

**Change required**

In order to resolve the issue of the VAT mismatch between the domestic supply of Hydrogen and other gases, a minor change to Value Added Tax Act 1994, Schedule 7A, Group 1 is required from HM Treasury in order to add Hydrogen to the list of gases which qualify for the 5% reduced rate.

**Timeframe**

As a primary piece of legislation, the change may require a formal consultation period and would likely need to be included in a Finance Act, which are typically introduced annually. The next Finance Act is due for draft publication in November 2022, with enactment expected around April 2023.

**From:** [redacted]

**Sent:** 27 September 2022 14:18

**To:** [redacted]

**Subject:** RE: H100 Fife Delay Media Query

Classified as Internal

Hi [redacted]

Can you please pass to [redacted]

Thanks

[redacted]

SGN, Axis House, 5 Lonehead Drive, Newbridge EH28 8TG

[sgn.co.uk](http://sgn.co.uk)

**From:** [redacted]

**Sent:** 27 September 2022 12:32

**To:** [redacted]

**Subject:** H100 Fife Delay Media Query

**Importance:** High



**WARNING This email is not from the SGN network. Do not open unexpected files or links.**

Hi [redacted],

Our press office has been contacted by the Herald asking for a line on our position on hydrogen for heat and the delay to the H100Fife project (following some criticism from Friends of the Earth Scotland).

I'd like to direct the Herald to yourselves for a response on the later point. Who should I suggest as the contact at SGN?

Thanks,

[redacted]

[redacted] Energy Industries Division | The Scottish Government | Victoria Quay | Edinburgh | EH6 6QQ | [redacted]