

### What is the Concession Agreement?

The pioneering Concession
Agreement, formerly known as
the Feasibility and
Implementation Agreement
(FIA), that the Government of
the Republic of Namibia (GRN)
and Hyphen have agreed to sign
governs the process for the
development, implementation
and operation of Namibia's first
green hydrogen project.



- GRN and Hyphen believe that the Concession Agreement will set a new global benchmark, creating a template for the sustainable and equitable development of other green hydrogen projects.
- GRN has the opportunity to be a co-investor in the project with the right to take up to a 24% equity interest at cost. Thanks to its partnership with the European Union and the Global Gateway Initiative, Namibia has mobilised donor and concessional funding from Invest International and the European Investment Bank in excess of EUR540 million/NAD 11,167 million to finance the development of the green hydrogen industry and to fund its equity participation in the project.
- Under the Concession Agreement:
  - GRN is responsible for ensuring that Namibia is equipped with the necessary legal, fiscal and regulatory environment to enable the implementation of the project.
  - Hyphen is responsible for the technical, financial, environmental, social and commercial delivery of the project which, if finally approved by GRN, will then be implemented by Hyphen.



### Progression to conclusion of the Concession Agreement

The process that GRN has run to arrive at the appointment of Hyphen as the preferred bidder to develop the project is documented in detail in the GRN publication "Traction - Namibia's Green Hydrogen Overview".

#### 18 March 2021

The Harambee Prosperity Plan II was launched by H.E The President of Namibia setting out ambitious targets to support the regional and global decarbonization with the Southern Corridor Development Initiative (SCDI) as part of the Economic Advancement Pillar.

#### 23 June **2021**

GRN launched a market sounding process that provided valuable inputs on what would attract developers and recommendations on how to structure the project so Namibia and its people are at the heart of the project.

#### September 2021

GRN's RFP process, which closed on 16 September, was open to all bidders with 6 individual bidders submitting 9 separate bids across the two land parcels.

A Governmental bid adjudication committee administered the adjudication process and was supported by two independent expert organisations: NREL (National Renewable Energy Laboratory), a national laboratory of the U.S. Department of Energy and two technical experts appointed by the European Union Global Technical Assistance Facility on Sustainable Energy.

The subsequent findings and recommendations were presented to the Green Hydrogen Council (GHC) which in turn presented its recommendations to Cabinet for approval.

The Green Hydrogen Research Institute was established at the University of Namibia following Cabinet approval.

#### September 2022

GRN undertook a market sounding process on the proposed development as part of the first project of common use infrastructure to be utilised by subsequent projects in SCDI as part of GRN's plans to enable the rapid scalability of green hydrogen production in the SCDI.

#### 23 May **2023**

Cabinet of GRN approves FIA.

#### 2020

GRN commenced the development of its green hydrogen strategy, with green hydrogen forming a key part of Namibia's long term national planning.

#### 23 May **2021**

The Green Hydrogen Council, an inter-ministerial body to oversee the development of the green hydrogen opportunity, was established by H.E. The President of Namibia.

The SCDI located within the Tsau | | Khaeb (Sperrgebiet) National Park was selected for Namibia's first project.

#### 3 August **2021**

Launch of request for proposal (RFP) in respect of the first two land parcels in the SCDI.  $\label{eq:control} % \begin{center} \end{center} % \begin{cent$ 

#### 02 November **2021**

GRN announced Hyphen as preferred bidder in respect of two land concessions in the Tsau | | Khaeb National Park and commencement of the process between GRN and Hyphen to prepare the FIA.

#### 01 June 2022

GRN approved the composition and appointment of the Government Negotiations Team.

#### September 2022 to May 2023

During this period Hyphen has signed Memorandums of Understanding (MoUs) with a number of potential customers in Europe and Korea, targeting the supply of over 1,000,000 tonnes of green ammonia annually.

2028

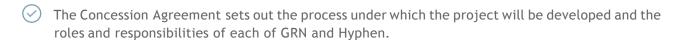
Targeting annual production of one million tonnes of green ammonia by the end of 2028.

2030

Targeting annual production of two million tonnes of green ammonia by 2030.



# Process under the Concession Agreement for the development of the project



- Hyphen's principal task under the agreement is to investigate the feasibility of developing the project and, if feasible and approved by GRN, to proceed with implementing the project.
- The Concession Agreement is broadly split in five sequential phases, summarised below. Each phase can only commence if the previous phase has successfully been completed and approved by GRN.

## 1

#### **Preliminary Phase**

Covers the period from the signature of the FIA until the date on which both the GRN and Hyphen are satisfied that all conditions for the FIA to become "effective" are met. It is envisaged that this phase will last up to six months.

It is during this preliminary phase that the GRN can choose whether or not to exercise its option to acquire up to 24% of Hyphen's share capital.

# 2

#### **Feasibility Phase**

Period in which Hyphen is tasked with assessing the technical, financial, environmental, social and commercial viability of undertaking the project, including the potential establishment of common user infrastructure.

Socio-economic development targets will also be assessed and agreed to ensure that this project benefits all of Namibia through training, education, job opportunities and localisation.

- During this period Hyphen will pay land rentals to GRN totalling EUR12.12 million.
- It is Hyphen's responsibility to fund these feasibility activities
- At the completion of the feasibility phase, Hyphen is to produce a comprehensive feasibility report setting out its proposed project design and commercial structure, for the GRN's consideration.
- GRN is responsible for providing the land on which the project will be established and developing and implementing the required legal, fiscal and regulatory environment necessary for the establishment and sustainable operation of Namibia's green hydrogen industry.



#### Validation Phase

GRN is required to consider whether to validate the project or not against certain pre-agreed conditions as contained in Hyphen's bid per the RFP.



# Financing and Construction Phase

Upon project validation, Hyphen is responsible for:

- Raising the necessary finance for the project.
- Constructing the project.
- Complying with the agreed socio-economic development targets applicable during construction.
- Paying land rentals to GRN equivalent to EUR10 million per year (increasing at 2% per annum).



#### **Operational Phase**

Upon commissioning of the project, Hyphen will be responsible for:

- $\bullet \qquad \hbox{The maintenance and operation of the project.}\\$
- Complying with the agreed socio-economic development targets applicable during operation.
- Paying land rentals and environmental levies to GRN equivalent to EUR26 million per annum (increasing at 2% per annum)
- Paying royalties equivalent to 5% of gross revenues.
- Paying corporate income tax and other Namibian taxes in accordance with the requirements put in place by GRN for the wider green hydrogen industry.

### For more information please visit our website

www.hyphenafrica.com