

March 31, 2025

Submitted Electronically

naesbmail@naesb.org
North American Energy Standards Board
WGQ Contracts Subcommittee
1415 Louisiana Street, Suite 3460
Houston, TX 77002

Re: Comments on 2025 WGQ Annual Plan Item 4, Purchase and Sale Agreement for Hydrogen Transactions.

Over the past several years there has been discussion at various levels of NAESB about commencing work on creating a standard gas template for hydrogen transactions (“NAESB Draft Hydrogen Contract”). During those discussions, several members of the Producer Segment of the Wholesale Gas Quadrant Executive Committee (“WGQEC Producers”) and Board have expressed concern that it was premature to begin work on creating a standard hydrogen gas template.¹ Despite these concerns, the NAESB Board proceeded to initiate this work in 2024 and the NAESB Contract Subcommittee set about creating a standard Hydrogen Contract.² The WGQEC Producers offer the following joint comments for consideration.³

While the WGQEC Producers appreciate the diligent efforts of the NAESB Contract Subcommittee with the assigned task, there is still too little evidence to support that this nascent market is ready for such a standard instrument. Once a domestic market evolves, and market participants develop experience transacting hydrogen, further contract modifications to the NAESB Draft Hydrogen Contract will be needed. Producer Segment members recognize that the active participants in this contract development process have significant commodity and contract expertise, but notably absent were hydrogen producers and consumers.

The hydrogen contracts in place today are rather large and/or industrially specific bespoke agreements, such as ammonia export projects and petroleum refining, that reflect the unique properties and structure of individual transactions between sophisticated counterparties. Mostly, if not exclusively, these mutually negotiated transactions are tied to specific facilities owned or under development by the counterparties. Additionally, the existing market is relatively small and

¹ See, for example, Final Minutes for NAESB’s Board Meetings held on December 14, 2023, and April 4, 2024.

² https://www.naesb.org/pdf4/052924press_release.pdf

³ Individual Producers may also elect to file supplemental comments in addition to these joint comments.

hydrogen project development is the focus, which is inclined to build upon the underlying supply contracts that are more complex than what is being developed at NAESB.

A recent media article reported that NAESB is set to release the Hydrogen Contract by the second quarter.⁴ The WGQEC Producers are thoughtfully considering the voting options and will take into consideration any comments that are filed and look forward to Executive Committee and Board discussions. The most prudent path may be to put this final draft aside until the hydrogen market shows signs of becoming liquid and experienced enough for the active market participants to finalize the template. This would preserve the efforts to date but avoid NAESB having to continually reinitiate the formal process to update the base contract or addendum as the market evolves.

Respectfully,

Wholesale Gas Quadrant Producer Segment Executive Committee Members

⁴ Canel soria, Santiago. "US NAESB to release standard contract for low-carbon hydrogen by Q2 2025." Platts S&P Global Commodity Insights Gas Daily, March 12, 2025, p. 11-12.