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MINISTRY OF NEW AND RENEWABLE ENERGY

Capacity Building Workshop for
Financing Green Hydrogen in South Asia

November 28, 2023
03:40 pm - 05:10 pm IST

Session: Costing and economics of Green Hydrogen and Derivatives

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South Asia Regional Energy Partnership (SAREP)

https://www.123rf.com/

Agenda

I. The Cost Challenge

II. Production Parameters

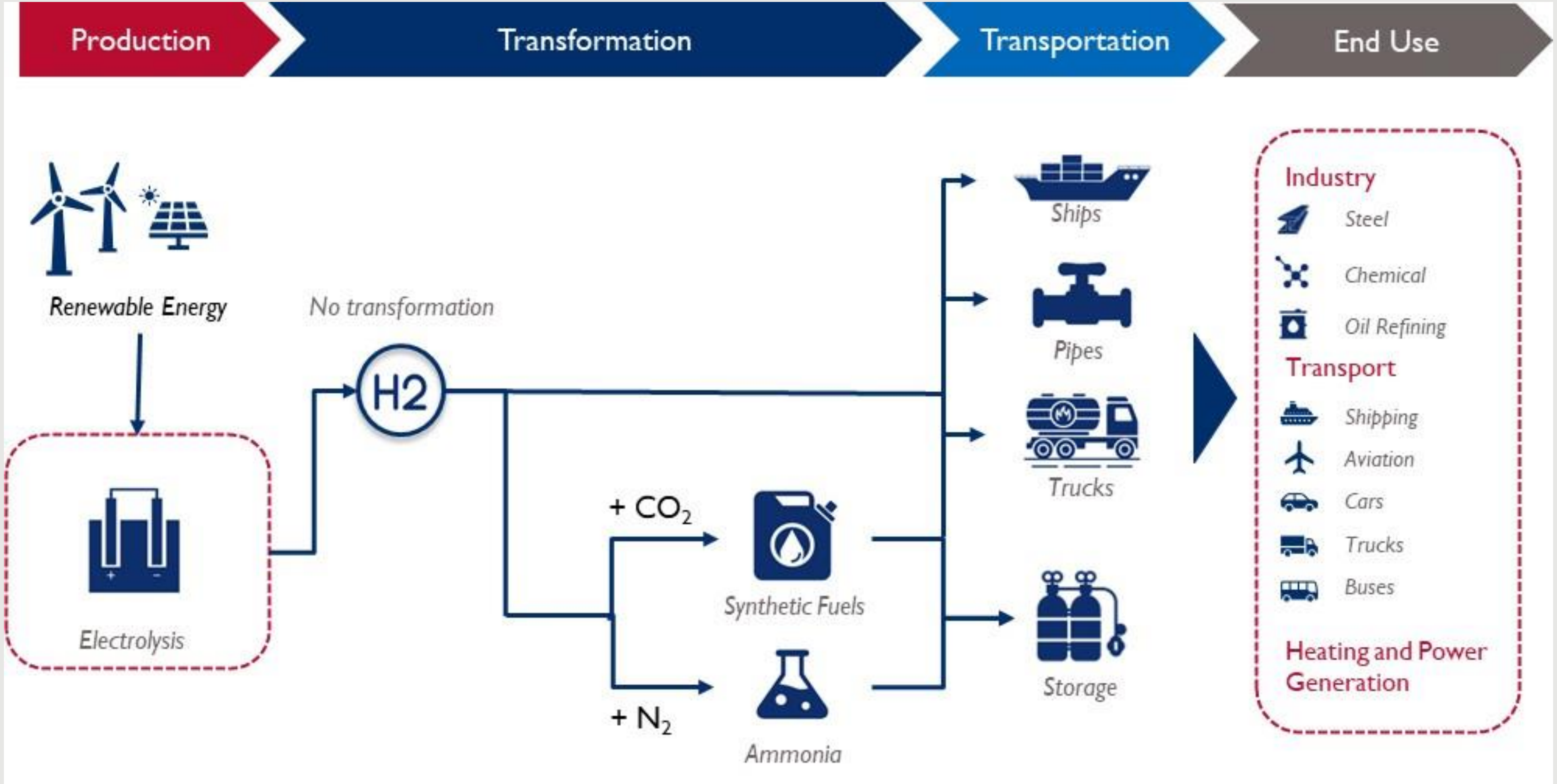
- RE Profiles & Impact on System Design
- Optimization & Trade-off
- Electrolyser Technologies

III. Levelized Cost of Green Hydrogen

IV. Landed Cost of Green Hydrogen

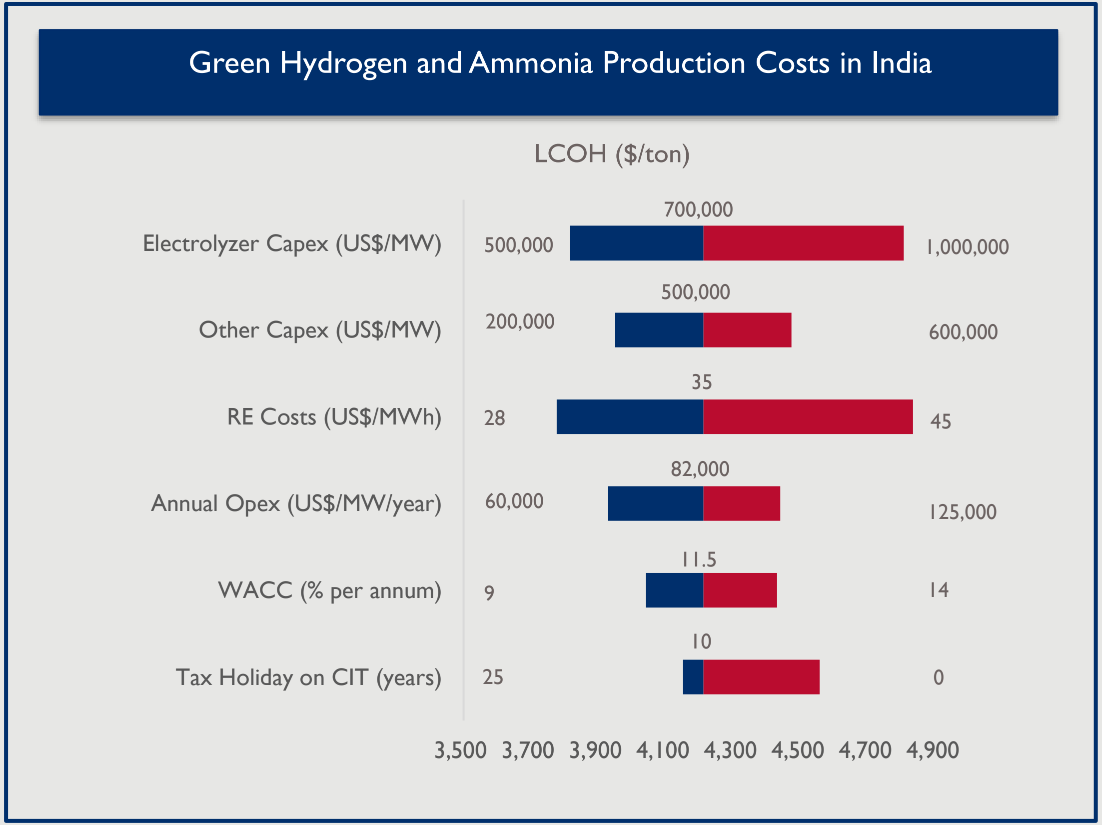
- Chemical Conversion/Reconversion
- Storage : Physical & Chemical options
- Transportation & Distribution Cost

The Green Hydrogen Value Chain



The Cost Challenge

Levelized Cost of Green Hydrogen by 2030 : An estimate



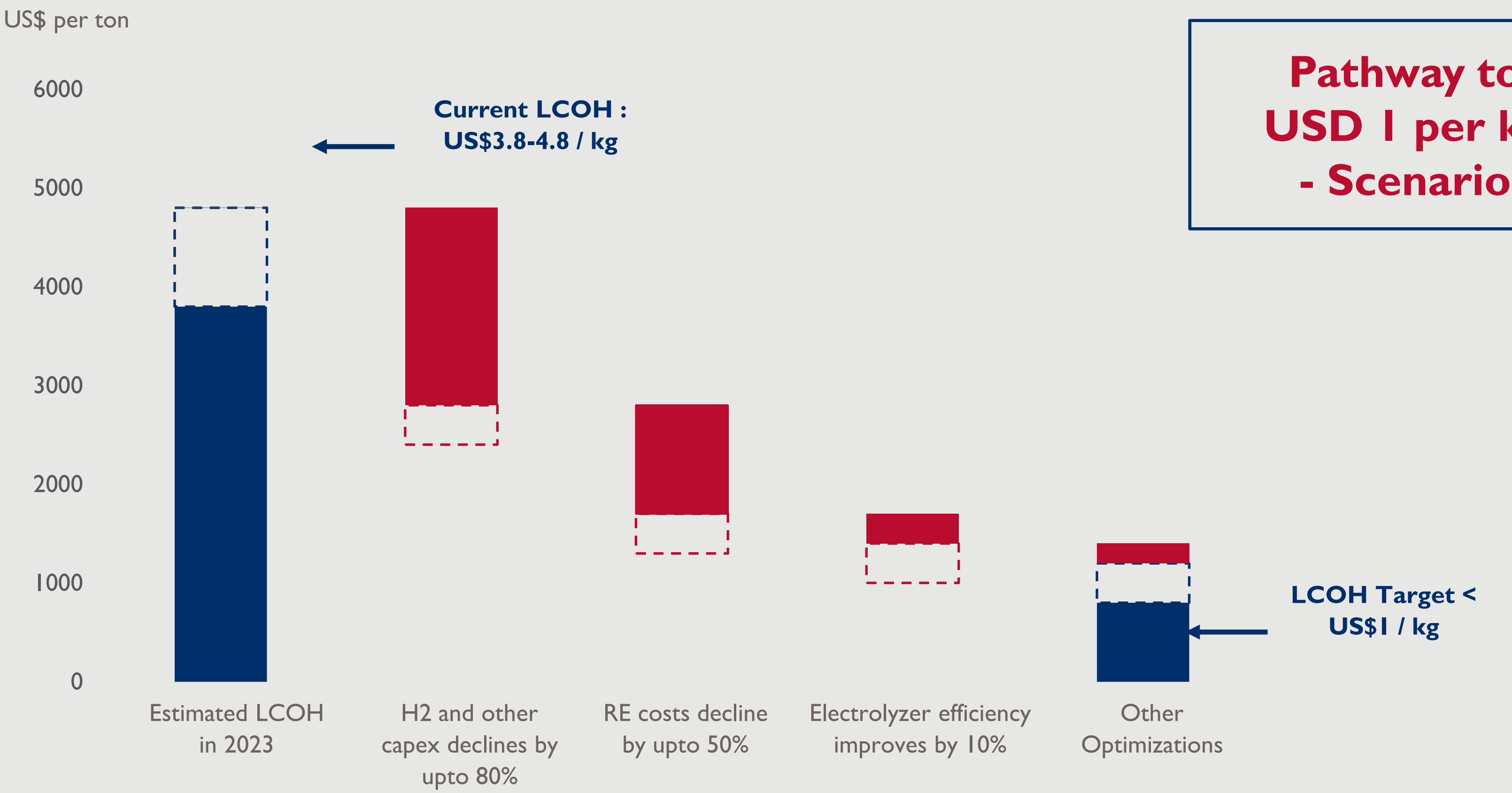
US$ 3.8-4.8 / kg

Estimated Levelized Cost of Green Hydrogen in India

US$ 850-1,100 / MT

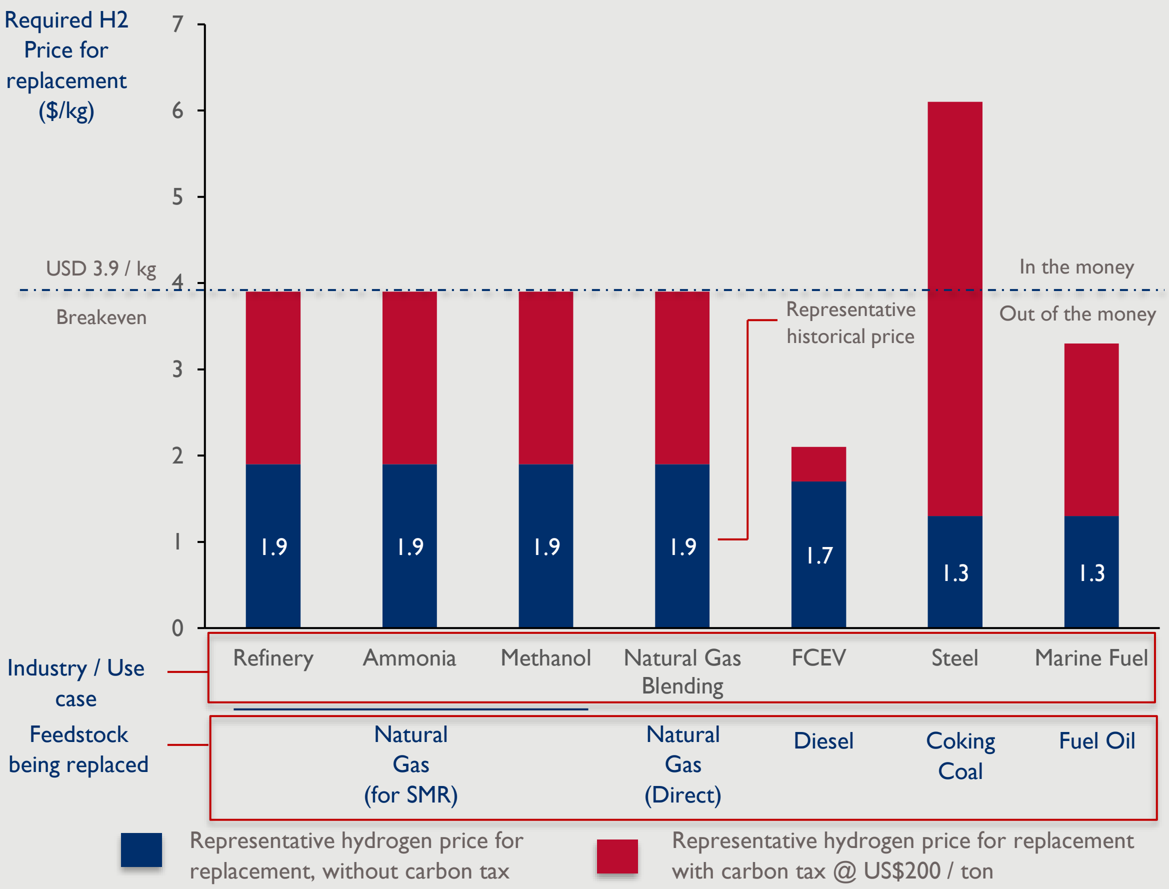
Estimated Levelized Cost of Green Ammonia in India

Bridging the Gap: Supply side developments



Pathway to USD 1 per kg - Scenario

Bridging the Gap: Demand side interventions



Supporting GH2 Price

Achieve breakeven through Carbon Tax

- Green Hydrogen will require pricing support
- A min. carbon tax of US$200/ton required to justify GH2 Cost of US$ 3.9/kg
- Refineries, Ammonia facilities, Natural Gas Blending Will be in the money
- Transport use case will require much higher carbon tax
- GH2 in steel industry will be in the money with lower carbon tax owing to high rate of carbon emissions

Other Policy Initiatives

- Demand Mandates – Introduce GH2 purchase obligations on the consumer industries
- Reduce costs of Input Power – Waiver of Transmission charges
- Tax Credits – Pricing Support through Investment and Production tax credits

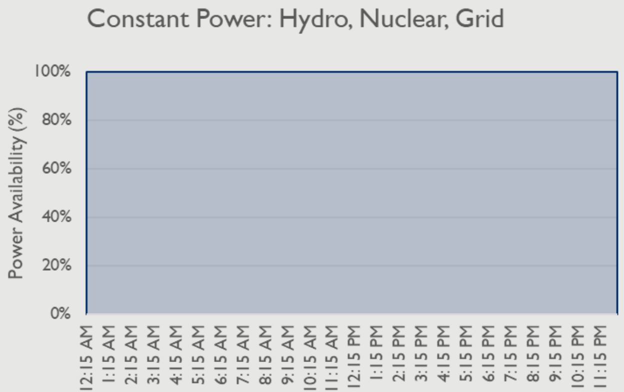
Adapted from: Decarbonising India: Charting a pathway for sustainable growth (McKinsey Sustainability)

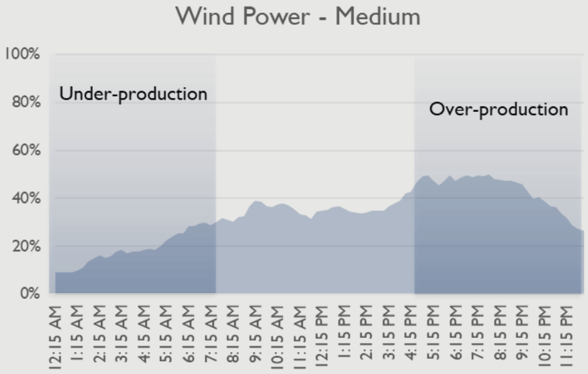
Landed Cost of Green Hydrogen

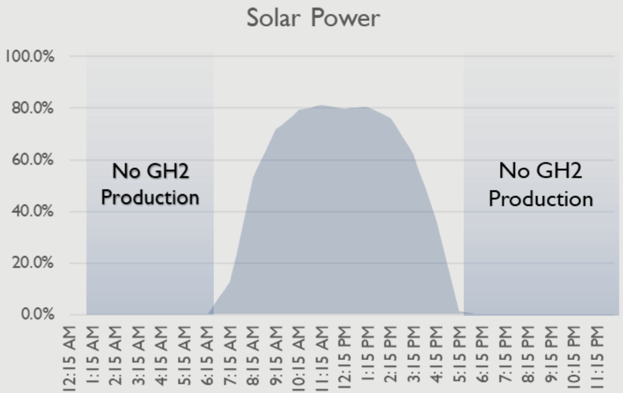
Cost Component	Details/ Major Factors
01 Renewable Energy Cost	• Cost of Procurement/ Generation of Renewable Power Including Transmission Cost • Higher Cost for Higher Availability – Highest for Round-The-Clock (RTC) Availability
02 Production Facility Cost	• Optimization of Capital Cost vs Cost of Power Procurement – Equipment Sizing • Selection of Technology – Alkaline vs Proton Exchange Membrane
03 Conversion / Reconversion Cost	• Conversion Facility for Hydrogen Derivatives – Ammonia, Methanol & Hydrides (Capex) • Energy Carrier – Loss of Energy when converted to derivative & reconverted back to H2
04 Storage Cost	• Small Storage to manage variability in H2 production due to variability in renewable energy • Large storage as buffer for lower production/demand at generation/consumption end resp.
05 Transportation & Distribution	• Mode of Transport/Distribution as per the distance and volumes involved • Major evaluation parameter for Export-oriented projects

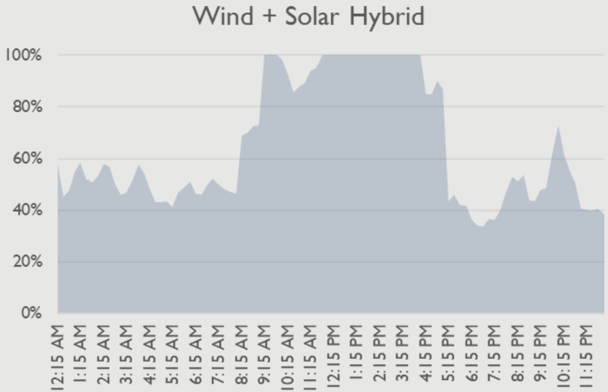
Sizing of Production Facility

RE Profiles & Impact on System Design









Impact of RE Profile

Renewable Energy Variability
- RE power is highly variable, Reliance on co-located RE capacity a challenge
- Variability will lead to under-utilization of Electrolyser
- Discussion around RE Banking

Continuous Chemical Process
- Plants require continuous supply of feedstock
- Storage of Excess Production with electrolyzer overcapacity
- Employing Battery Storage but cost-prohibitive

Shutdown Costs
- Costs associated with shutdown and restart of electrolyzer

Regulatory/ Standards Issue
- Idle Plants require minimum base power – Grid Supply
- Risk of Hydrogen not certified as Green

Optimization Objective

Capital costs

$$C_{SYS} = C_{EZ} + C_{CP} + C_{H2STORAGE}$$

C_{EZ}:
- Minimization of size (MW)
- Maximization of utilization

INR/MW

C_{CP}:
- Minimization of size (MW)
- Maximization of utilization

INR/MW

$C_{H2STORAGE}$:
- Account for daily variations
- Account for seasonal variations
- Resiliency of system

INR/ton

Operating costs

Energy consumption per unit H2 produced

MWh / ton
kWh / kg

PEM, Alkaline, SOEC

50-55 (PEM), 55-60 (Alkaline), 37-40 (SOEC)

Electricity tariff

INR/kWh

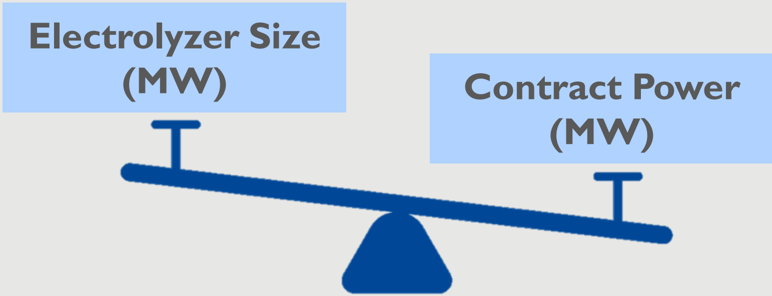
Fixed or Variable

Trade off between Electrolyzer size and Contract Power

- Contract Power size and electrolyzer size are inversely related

- Increasing the electrolyzer size (MW) leads to higher costs and lower utilization
  - Lower resiliency
  - Increased costs

- Increasing Availability & Size of contract power (MW)
  - Improved resiliency
  - Lower number of days of under-production
  - Increased per unit cost of Power



Comparison of Commercial Electrolyser Technologies

	Alkaline	PEM	Implications
Capital Costs	\$500 - \$1000/kW_{el}	\$700 - \$1400/kW_{el}	• Capex for PEM is higher due to usage of metals like platinum & titanium • PEM can have up to 20-30% lower opex requirements over the project life.
Response Time	Minutes	seconds	• Response Time to adjust output to adhere to changes in demand & conditions. • PEM has a better response time, suitable against variable RE supply
Efficiency	50– 78 (kWh / KgH_2)	50-83 (kWh / KgH_2)	• Efficiency indicates the ratio between the input energy and output energy. • Higher the efficiency, greater the conversion rate to H_2. • PEM electrolyzer generally have a slightly higher efficiency.
Lowest operating power (%)	10-15	5-10	PEM has a lower threshold for availability of power in comparison to its rated capacity, thus, more flexible to renewable variability
Stack Life (Hours)	60,000	80,000	PEM electrolyzers can run for a longer time period before requiring a stack replacement, which can cost upto 50-60% of electrolyzer's upfront capex.

Source: *Oxford Institute for Energy Studies*

Levelized Cost of Green Hydrogen (Production Cost)

Hands-on Exercise: Employing Technical Parameters

Target Production Capacity
- In terms of a derivative
- Say, 100 Tons per Day

Green H2 required
- Conversion Factor of 0.18

Units of Power required
- Efficiency of Electrolyser
- 50-60 kWh/kg

Electrolyser Capacity
- No. of units to be consumed

Additional Electrolyser Capacity
- Producing Extra H2
- RTC Renewable power not available

Capital Expenditure
- Electrolyser Capacity
- H2 storage

Calculation of Levelized Cost of Hydrogen – Fixed Cost

F1. Return of Capital

- Capital Cost reimbursement to both equity and debt Investors

F2. Compensation to Capital Providers

- Interest on Loan Availed
- Return on Equity Invested

F3. Operation & Maintenance Expenses

- As a % of Capital Expenditure

F4. Periodic Maintenance Capital Expenditure

- For Replacement of Electrolyser STack

Calculation of Levelized Cost of Hydrogen – Variable Charges

V1. Cost of Power Consumption

- Contracted Tariff - Long term Power Purchase Agreements
- Transmission & Wheeling Charges

V2. Other Variable Costs

- As a % of Power Cost

Annual Cost of Generation

- Sum of all the Fixed Cost (F1-F4) and Variable Expenses (V1-V2)

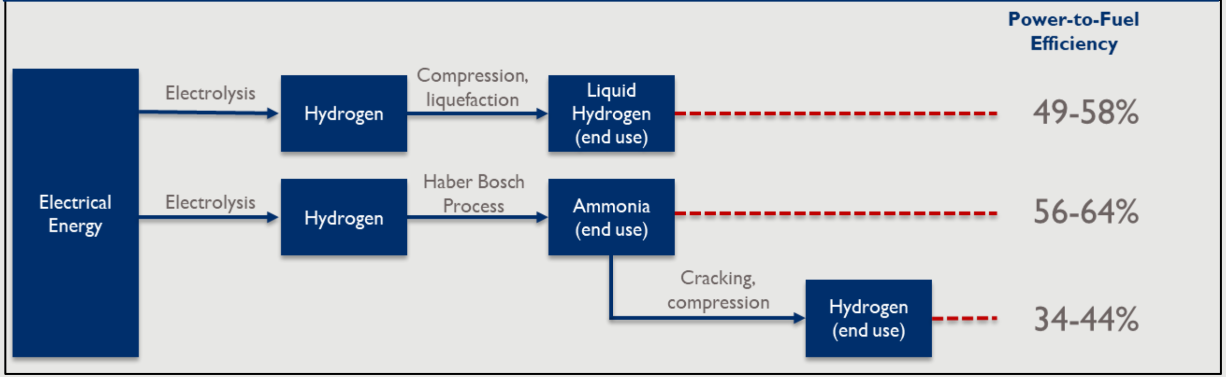
Levelised Cost of Green Ammonia/ any other Green H2 derivative

- Weighted Average of Annual Unit Cost using Discounting Factors as Weights

Landed Cost of Green Hydrogen

Chemical Conversion and Reconversion

Energy Efficiency for end use cases: Direct H2 vs NH3 vs H2 from Intermediate NH3



Source: ACS Energy Letters

$$\text{Efficiency} = \frac{\text{Usable Chemical Energy in the end product}}{\text{Energy used in generating the product}}$$

To produce 1 kg of Ammonia, we need (14/17)= 0.824 kg of Nitrogen and (3/17)=0.176 kg of Hydrogen

$$N_2 + 3H_2 \rightleftharpoons 2NH_3$$

Factors to be considered

Hydrogen properties

- Highly Flammable, safety issues
- Low volumetric energy density

End-use application

- Consumption as pure H2 or H2 derivative
- Chemical feedstock for Co-located Refineries/Steel Units
- Energy Carrier for Surface/ Maritime Transportation
- RE Transmission Costs vs GH2 Transport Costs

Storage/Transport of GH2

- For long distances & duration, NH3 is safe & economical
- Additional energy loss if NH3 to GH2 conversion required for end-use

Storage : Physical & Chemical options

Levelised Cost of Storage (LCOS) per kg

	Geological Storage					*Chemical Storage*		
	Salt Caverns	**Depleted gas fields**	**Rock Caverns**	**Pressurized containers**	**Liquid Hydrogen**	**Ammonia**	**LOHCs**	**Metal Hydrides**
Volume	Large volumes	Large	Medium volumes	Small volumes	Small – medium volumes	Large volumes	Large volumes	Small volumes
Duration	Weeks - Months	Seasonal	Weeks - Months	Daily	Days - Weeks	Weeks - Months	Weeks - Months	Days - Weeks
LCOS (BM)	$0.23	$1.9	$0.71	$0.19	$4.57	$2.83	$4.5	Not evaluated
LCOS (Possible)	$0.11	$1.07	$0.231	$0.17	$0.95	$0.87	$1.86	Not evaluated
Technology readiness	TRL 9	TRL 2 - 3	TRL 2 - 3	TRL 9	TRL 7 - 9	TRL 9	TRL 7 - 9	TRL 7 - 9

Gaseous Storage · Gaseous Storage / Liquid Storage · Liquid Storage · Solid Storage

Source: UNECE, 2021

Capital Expenditure

- Specially constructed Vessels
- Require higher Strength than tanks for fossil Fuels

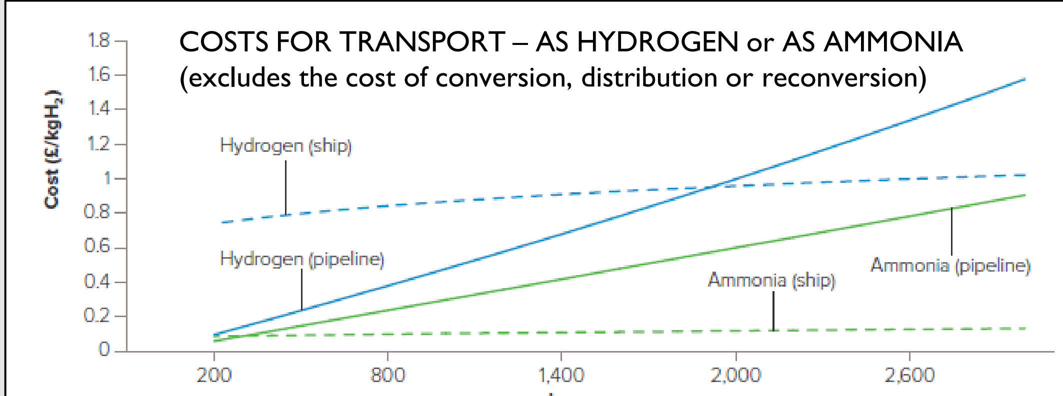
Operating Expenditure

- Energy Penalty: Compression, Liquification, Refrigeration
- Maintain High Pressure & Low Temperature

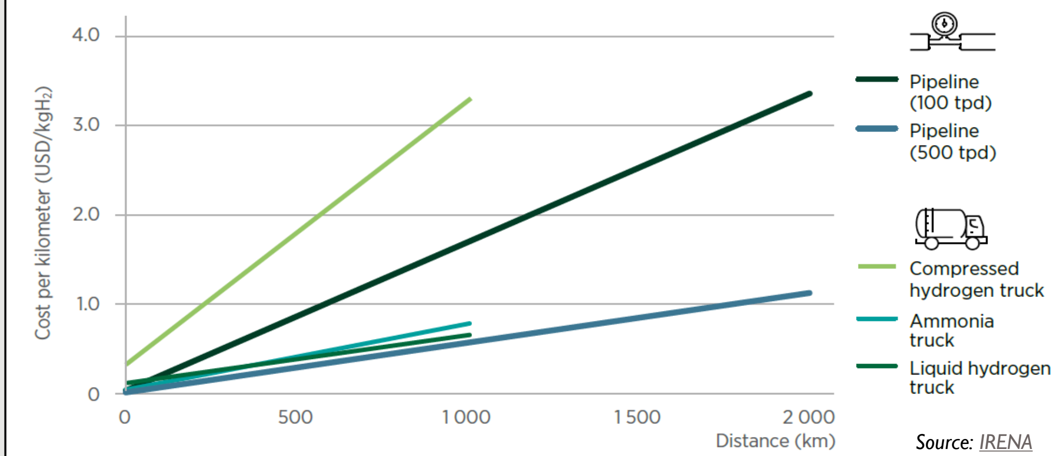
Carrier Options

- Conversion and Reconversion Costs
- Both Capital Expenditure and Opex (Energy Losses)

Transportation & Distribution



Source: Royalsociety.org



Source: IRENA

Evaluating Transport Options

Transport Options

- Hydrogen vs Ammonia
- Maritime vs Pipeline
- Trucks vs Pipeline
- Pipeline capacity

Comparison

- Hydrogen transport in pipeline is cheaper than in ships up to a certain distance
- Through Pipeline: It is always cheaper to transport Hydrogen than Ammonia
- Through Ships: It is always cheaper to transport Ammonia than Hydrogen

Factors affecting the Storage Cost

- Throughput
- Capital Expenditure of various options
- Storage requirements & associated capex
- Opex – Compressor power, Ship/Truck Fuel
- Operation & Maintenance Expenses
- Presence of Existing Infra – Repurposed pipelines
- Conversion/Reconversion Efficiency (Not considered in the adjacent figures)

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Thank You

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