



NORTH AMERICAN ENERGY STANDARDS BOARD

1415 Louisiana, Suite 3460 • Houston, Texas 77002 • Phone: (713) 356-0060 • Fax: (713) 356-0067
email: naesb@naesb.org • Web Site Address: www.naesb.org

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NAESB TO INITIATE DEVELOPMENT OF STANDARDIZED CONTRACT FOR THE SALE AND PURCHASE OF HYDROGEN

This summer, NAESB will initiate an industry-wide effort to develop a standardized sale and purchase agreement for hydrogen through its open development process. The decision to move forward with project was made by the NAESB Board of Directors during its April meeting and will leverage its previous work over the last thirty years on physical commodity energy contracts, including the NAESB Base Contract for Sale and Purchase of Natural Gas and Natural Gas Liquids. Discussions concerning the project have been underway at NAESB since December 2021 but were ramped up at the end of last year after the U.S. Department of Energy (DOE) announced the selection of the seven Regional Clean Hydrogen Hubs and informal communications concerning NAESB undertaking the effort were received from DOE and HyVelocity Hub, Inc. representatives. In March, following the DOE Office of Clean Energy Demonstrations announcement of a demand-side initiative to provide financial revenue and demand support for the Hydrogen Hub projects, NAESB hosted an educational webinar for the industry to learn more about the initiative and the selected Hubs. During the webinar, DOE representatives stated that the primary purpose of the new demand-side initiative is to catalyze a mature market for clean hydrogen by incentivizing offtake agreements and facilitating the development of mechanisms that will overcome barriers to reaching final investment decisions. One mechanism that was identified by the DOE is the establishment of standardized, consensus-based commercial terms and conditions for hydrogen contracts to provide a level of certainty and stability that will encourage long-term investments and mitigate risk concerns for counterparties engaging in hydrogen transactions. Fueled by the information provided in the webinar, the NAESB Board Strategy Committee and subsequently, the NAESB Board of Directors voted to initiate the effort and begin industry-wide coordination on the development of the contract.

In response to the decision by the Board of Directors, Leslie Biddle, DOE Senior Advisor to the Under Secretary for Infrastructure, stated that, “The action taken by your organization is an appropriate and timely step. The Department was integral in the formation of NAESB’s predecessor organization, the Gas Industry Standards Board, and has continued its support of NAESB for more than 30 years. NAESB is very adept at facilitating the development of industry supported standards and standardized contracts through its American National Standards Institute accredited process as evidenced by the ubiquity of its contract for natural gas in the industry and the adoption of its standards by the Federal Energy Regulatory Commission, and I am pleased that the organization has determined to consider the development of standards to support the emerging hydrogen market.”

Michael Desselle, NAESB’s Chairman, stated “I believe the Board took this action because it recognized the important role that standards can play in accelerating the development of a nascent market and that NAESB standards are adaptable to respond to market demands as they evolve. Coordination and communication with external organizations will be essential for this project and efforts are already underway to ensure that the domestic market focused agreement NAESB develops will support future international standardized contracts that are developed for the export markets. He added, “The NAESB natural gas contract has been utilized by the industry for almost thirty years, supporting over 90 percent of the short-term natural gas trades in the U.S., per DOE estimates, and this experience makes NAESB and ideal organization to take on this important challenge.”

For more information, please contact Jonathan Booe, NAESB Executive Vice President and Chief Operating Officer (713) 356-0060.

The North American Energy Standards Board (NAESB) serves as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities. It is composed of about three hundred corporate members in the energy industry and many more non-member volunteers who contribute to the drafting and adopting of NAESB standards. To learn more about NAESB, go to www.naesb.org.
