**From:** John Flory
**Sent:** Monday, March 31, 2025 1:51 PM
**Subject:** Comments on NAESB Base H2 contract on behalf of the Center for Houston's Future

Dear NAESB,

Since NAESB released its proposed “Base Contract for Sale and Purchase of Hydrogen” on February 28, we have been encouraging people to  reach out to NAESB and obtain a copy of the proposed contract and provide comments.  Below we share some of those forums and informal comments we have received to help round out NAESB’s record of feedback.   Feel free to ask us any follow-up questions.

**Background**

The Center for Houston’s Future (CHF) is a nonprofit that works to understand future global trends and their impact on the Houston region. <https://www.futurehouston.org/about/>  Several years ago we identified Energy as one area for a strategic initiative.   Within Energy we identified Hydrogen as a key focus area.  We organized a Hydrogen Steering Committee and developed a roadmap for growth of Hydrogen in the greater Houston footprint.  <https://www.futurehouston.org/houston-hydrogen-hub/>   That roadmap said that about half of the Hydrogen produced in the greater Houston footprint would be sold domestically in North America and the other half would be sold internationally.  Thus, CHF directed its Marketplace Development Working Group of its Hydrogen Steering Committee to work on a number of elements for Marketplace Development, including a standardized hydrogen contract.   Since that time CHF has been collaborating with two groups on the development of a standardized hydrogen contract.  The first is the Association of International Energy Negotiators (AIEN), who are developing standardized contracts for international H2 transactions and the second is NAESB on its standard contract.  Since natural gas is the feedstock for most of the hydrogen produced in North America and since over 90% of the physical natural gas transactions in the US use the NAESB standard natural gas contract, we particularly appreciate NAESB’s initiative on the base hydrogen contract that builds off its natural gas and related contracts.

**Feedback on the NAESB Base Hydrogen Contract**.

During CERAWeek on Tuesday March 11 CHF hosted a breakfast panel jointly with AIEN and others on “Update on Model Contract Development: Continued Development of the Global Low-Carbon Hydrogen Ecosystem” <https://www.aien.org/forms/meeting/Microsite/US11March2025>.   One of the panelists was Keith Sappenfield, NAESB’s lead in developing the base hydrogen contract.   Almost 60 people registered for the session.      The audience generally was appreciative of the progress that both AIEN and NAESB were making on standard H2 contracts.    Indeed, the audience particularly appreciated, and the discussion focused on, the NAESB contract feature reflecting carbon intensity in a tradable Energy Attribute Certificate –- similar to a Renewable Energy Credit (REC) for power.

Also during CERAWeek several informal conversations occurred about the NAESB contract – all of them positive.  This included talks with incumbent industrial gas companies in the hydrogen space, who saw that the NAESB contract as helping them do carbon-differentiated transactions.

Since CERAWeek CHF also held a virtual workshop obtaining feedback on the NAESB agreement.  The feedback was positive. The most significant comment was that book-and-claim capability would significantly accelerate hydrogen market development -- and the NAESB contract with the Energy Attribute Certificates would facilitate that acceleration.

We also held a special de-briefing with the lead developers of the AIEN standard H2 contract.   They were very positive about the NAESB agreement and saw it as being complementary to the AIEN work – and helping to accelerate the AIEN contract development.

In addition, we have received inquiries from several entities about using the NAESB hydrogen contract in the near future.   To that end, the CHF Marketplace Development Working Group has received interest in developing a pilot around the use of carbon intensity and the Energy Attribute Certificate – using the NAESB contract as a base.

**In conclusion**

We want to thank NAESB for its leadership in this area.   The feedback we have received is that the NAESB Base Hydrogen contract is very timely and well designed for hydrogen marketplace development.   We are happy to answer any questions you may have.

John

**John E. Flory**

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