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INFORMATION NOTE

From: General Secretariat of the Council

To: Council

Subject: Any other business

European Hydrogen Bank: our call to open EHB future auctions to all low-carbon hydrogen, including renewable
- Information from Bulgaria, Croatia, Czech Republic, Finland, France, Romania, Slovakia and Slovenia

In view of the Transport, Telecommunications and Energy Council on 15 October 2024, delegations will find in Annex an information note from Bulgaria, Croatia, Czech Republic, Finland, France, Romania, Slovakia and Slovenia on the above-mentioned subject.

AOB FROM BULGARIA, CROATIA, CZECH REPUBLIC, FINLAND, FRANCE, ROMANIA, SLOVAKIA
AND SLOVENIA ON EUROPEAN HYDROGEN BANK

OUR CALL TO OPEN EHB FUTURE AUCTIONS TO ALL LOW-CARBON HYDROGEN, INCLUDING
RENEWABLE

1. The European Hydrogen Bank should focus on GHG emissions reduction to secure the EU path towards climate neutrality by 2050, while monitoring external dependencies related to hydrogen imports

The production of both renewable hydrogen and low-carbon hydrogen will play an important part in ensuring the decarbonisation of hard-to-abate and hard-to-electrify sectors such as heavy industry and transports. In this perspective, we fully support and welcome the ambition of the European Hydrogen Bank (EHB) to reduce the cost-gap between renewable and low-carbon hydrogen compared to fossil hydrogen. However, to reach climate neutrality by 2050, the renewable nature of hydrogen does not matter. Indeed, both renewable and low-carbon hydrogen, must reach at least -70% of GHG as set in EU legislation and their contribution is therefore equal to our decarbonization agenda.

One of the main challenges related to the development of the hydrogen market in the EU is the slow uptake by consumers. Studies show that the demand for hydrogen even decreased by 9% from over 9 Mt in 2020 to 8.2 Mt in 2022¹. Consumers are reluctant to engage into long term contracts with hydrogen producers given the unpredictable nature of the market. Facing the risk possible shortages in locally produced hydrogen, the EU will turn to higher imports from third countries, which can open new pathways of new external dependencies, high downstream costs and ultimately result in more emissions due to transport.

2. All hydrogen related low carbon technologies, including but not limited to renewables, must play their part in the decarbonisation of the EU in accordance with the principle of technological neutrality, otherwise we will miss our targets for mitigating climate change and reinforcing European sovereignty

Article 194 of the Treaty on the Functioning of the European Union clearly establishes the principle of technological neutrality in energy policy. While the EU may define objectives such as reducing emissions in the energy sector, Member States have the right to choose which energy sources they intend to develop to reach those objectives.

The most cost-competitive way to reduce the GHG emissions linked to hydrogen consumption in the EU is to open all EU support schemes, in particular the EHB initiative to all low-carbon hydrogen, including but not limited to renewable hydrogen. Simply put: let the competition play its role to maximize decarbonization in Europe. Low-carbon energy sources can add some baseload production that would ensure higher return of investments in electrolyzers while producing the necessary steady flow of low-carbon hydrogen needed to decarbonize hard-to-abate heavy industries or that requires continuous supply, thus stimulating the development of this important economic sector for the EU.

¹ *Clean Hydrogen Monitor, Hydrogen Europe, 2023.*

Importantly, this approach is also fairer since it caters for the differences in electricity mix across the EU as well as the differences in potential for renewable electricity production linked to national specificities, as the geographical and topological characteristics of Member States.

Many Member States of the Nuclear Alliance have already included low-carbon hydrogen in their strategies and National energy climate plans (NECPs), sending a positive signal to the market. However, the lack of financial support to low-carbon technologies, similar to renewable ones, is a real hurdle to achieve the transition away from unabated fossil-based hydrogen, and a significant loss of necessary efficiency for the Union.

3. *Recently adopted EU legislations contain all the necessary elements to qualify low-carbon hydrogen in the next auctions of the European Hydrogen Bank once the delegated act on low-carbon hydrogen is adopted in the Official Journal of the European Union*

The definition of low-carbon hydrogen is already set in the EU legislation through the gas and hydrogen directive published on 15th of July in the Official Journal and, as announced by Commissioner K. Simson last March in Louvain, the European Commission just published the public consultation on the draft delegated act defining the methodology to assess the greenhouse gas emission reduction of low-carbon hydrogen (Article 9 Gas and hydrogen Directive).

Several legislative texts recently adopted by the European Parliament and the Council (TEN-E regulation, Taxonomy) already take into account low-carbon hydrogen.

Once the delegated act on low-carbon hydrogen is published on the Official Journal of the European Union, we call for the swift extension of the next auctions of European Hydrogen Bank to low-carbon hydrogen produced from electrolyzers, including but not limited to renewable hydrogen.

By bringing technological neutrality within the European Hydrogen Bank, we will provide the necessary clear signal to stakeholders that all decarbonization projects are encouraged by the EHB, thus accelerating the deployment of the hydrogen value chain across Europe and the emergence of a market. It is important to provide long term predictability and incentives to investors in low-carbon fuels projects, by making available a wide range of tools and financing options, such as the EHB. Long term investment projects also need stability when it comes to methodologies and thresholds which should ensure a level playing field for all low-carbon technologies. All current and future low-carbon energy capacities, including renewables, will be needed in order to relocate production in the EU and boost competitiveness of our industry in the long run.

Linked to the objectives of a future Competitiveness Deal and starting from the technology neutral approach reflected in the Net Zero Industry Act (NZIA) and in the Commission's Communication on 2040 climate objective in accordance with the treaties, the inclusion of low-carbon hydrogen in EHB future auctions would represent a concrete step in the direction already set by the Commission.

In light of the past declarations of the Nuclear Alliance, notably the Leaders' Declaration of 21 March 2024 calling for a paradigm shift in our energy policy and for a true technological neutrality, we encourage the European Commission to confirm that, once the low-carbon hydrogen delegated act is adopted, the scope of EHB's future auctions will cover low-carbon hydrogen in addition to renewable hydrogen.