

Accelerating Hydrogen Deployment in Europe with the Clean Industrial Deal

February 11, 2025

Dear Executive Vice-President Teresa Ribera,
Dear Energy and Housing Commissioner Dan Jørgensen,

Thank you for the open and constructive dialogue held with us, representatives of the hydrogen industry, on 8 January 2025.

In our meeting we have highlighted three key recommendations from industry associations representing the European and global leaders in hydrogen:

1. **Incentivise the development of Lead Markets for sustainable products** (including green steel, cement, fertilisers) by implementing quotas or obligations in public procurement.
2. **Streamline funding instruments and allow cumulation** of support instruments, while reducing the administrative burden placed on the applicants and simplifying the funding application processes.
3. **Enhance funding instruments and de-risking tools** to support hydrogen deployment across the value chain.

In this follow-up letter we elaborate on the above recommendations adding relevant examples and references to instruments to consider based on the good practice in the design of enabling frameworks for hydrogen in Europe and globally.

Europe's positioning on the global hydrogen map

Europe has adopted an ambitious legislative framework for hydrogen, including AFIR and RED III, to deliver the EU's decarbonisation and climate neutrality goals. While Europe continues to lead on hydrogen project *announcements* globally, accounting for nearly 40% of the total project pipeline, it is currently lagging on committed investments in hydrogen across the value chain. At global level, other regions lead on deployment, with China leading in electrolysis manufacturing capacity with 1.2 GW installed, 17.4 GW that reached final investment decision (FID)¹. To date, Europe holds over 0.4 GW in electrolysis capacity installed, and 2.7 GW past FID². Implementing and enforcing the adopted EU legislative framework at Member State level will now be a crucial part to drive deployment in Europe. Bold actions are required to advance hydrogen uptake across the European Union – especially over the next 12 months, as we enter this critical implementation phase for our sector.

With the EU Competitiveness Compass, the European Commission has committed to **significant regulatory simplification**. Translating this commitment into action is critical to give the European hydrogen industry the chance to compete at global level, bringing cost down, boosting security of supply and creating resilient supply chains in Europe and globally.

Hydrogen priorities for a successful Clean Industrial Deal

The following key priority actions will be key to build on the adopted EU legislative framework and make the Clean Industrial Deal a success for the hydrogen sector in Europe boosting its global competitiveness:

¹ Hydrogen Council. Hydrogen Insights 2024. Available at <https://hydrogencouncil.com/wp-content/uploads/2024/09/Hydrogen-Insights-2024.pdf>

² Hydrogen Europe. Clean Hydrogen Monitor 2024 https://hydrogeneurope.eu/wp-content/uploads/2023/10/Clean_Hydrogen_Monitor_11-2023_DIGITAL.pdf

1. Incentivise the development of Lead Markets for sustainable products

Creating Lead Markets for sustainable products will be key to unlock investments across the whole value chain and deliver the adopted EU targets. The European Commission should complement the adopted EU legislative framework with measures to cover downstream end-products. Sustainable products should be clearly and simply labelled, reflecting their carbon intensity and the energy source(s) used for hydrogen production as per the Delegated Acts on RFNBOs and Low-Carbon Fuels. Market activation measures should be used setting downstream quotas or obligations for sustainable products in public procurement or other support measures such as tax breaks. For example, when it comes to giving farmers an economic incentive to buy sustainable fertilisers, the revision of the Common Agricultural Policy should be leveraged. Ultimately, market activation measures should help bridge the cost gap to make sustainable products cost-competitive with polluting alternatives.

2. Streamline funding instruments for scale, simplicity and speed

Launching the most mature projects in the pipeline should be a top priority of the new European Commission. To enable this, **increasing public funding in this early market phase channelling it into one single funding instrument (not many) is crucial.** We recommend considering all possible avenues to funnel existing and unspent public funds into the European Hydrogen Bank (EH₂B) to complement the support available under the limited Innovation Fund.

We also call on you to **allow cumulation of national and EU incentives** to cover up to 100% of the funding gap for a given project. Cumulation has so far not been allowed under EH₂B, while current state aid rules allow for it³. This impediment leaves project developers awarded with the EH₂B funding with a difficult choice between EH₂B and other funds secured after lengthy and resource-intensive application processes. Prompt action on cumulation of funding instruments is crucial, otherwise project developers in Europe will be facing competitive disadvantages vis-a-vis other jurisdictions. Multiple countries around the world, including the US, Japan and Australia are offering stackable funding support measures for hydrogen production and deployment (e.g. production tax credits for renewable power generation, renewable hydrogen production coupled with hydrogen hubs funding in the US). European Commission should introduce clear guidelines to facilitate cumulation of incentives and funding instruments, helping bridge the funding gap while avoiding over-subsidisation and guide the work of project developers and authorities in funding institutions.

Simplifying application processes and reducing the administrative burden placed on applicants are also essential. Complex and lengthy application processes pose substantial barriers for industry and often result in having numerous qualified projects fail to secure funding despite meeting required criteria. This dynamic discourages companies' participation in funding allocation processes. It also penalises strong projects that were not selected yet had to bear the significant costs associated with the application process without receiving support as a result.

³ Section 3.2.1.3.1 of the Guidelines on State aid for climate, environmental protection and energy stipulates that "Aid may be awarded concurrently under several aid schemes or cumulated with ad hoc or de minimis aid in relation to the same eligible costs, provided that the total amount of aid for a project or an activity does not lead to overcompensation or exceed the maximum aid amount allowed under these guidelines. If the Member State allows aid under one measure to be cumulated with aid under other measures, then it must specify, for each measure, the method used for ensuring compliance with the conditions set out in this point". See also article 8 of the General Block Exemption Regulation (EU) No 651/2014, and article 9 of the Recovery and Resilience Facility Regulation (EU) 2021/241.

3. Enhancing funding instruments and de-risking tools to support hydrogen deployment across the value chain

- Beyond increasing their budget, **existing funding instruments should be strengthened and streamlined**. This means **setting an auction calendar for the coming years** to provide our sector with clear signals and visibility to invest in Europe. Likewise, **making the EH₂B the one-stop-shop funding platform** with a single entry point will accelerate project deployment.
- **Supporting project financing through de-risking tools is also essential** to unlock private capital, where targeted public support acts as a catalyst, not a replacement, to make projects attractive to investors. We recommend providing guarantees, insurance, and risk-sharing tools across the value chain to derisk technology and infrastructure buildout, among other areas.
- **Existing supply-side auctions (focused on reducing the cost of hydrogen for offtakers as done under the EH₂B) should also be complemented by dedicated demand-side support** measures to help offtakers unlock investments in the new production technologies that will enable them to use the hydrogen they buy (e.g. DRI plants in the steel sector to produce sustainable steel).
- **Funding instruments for midstream infrastructure**, such as Connecting Europe Facility, also remain critical and need to be enhanced. They provide a useful tool supporting retrofitting and repurposing of existing pipeline networks for hydrogen, as well as the development of new infrastructure for transmission and storage, and import terminals. Not least, as Europe can unlock cost-efficiency gains thanks to the development of import corridors and trade partnerships with third countries.⁴ It also provides critical support for strengthening of the electricity infrastructure at local and cross-border level, which is crucial to expand electrolyser capacity.

Without the above improvements, the scale-up of required investments will not happen. Strategic European industries including steel, fertilisers, chemicals, aviation and shipping will not be able to modernise and become more competitive globally. They will relocate where the investment case is better. Europe will lose the race for future-proof jobs, industries and cleantech, and fail to create mutually beneficial trade partnerships with third countries. This means that the EU will fail to meet its targets, while climate change continues to worsen.

With the above points adequately addressed, we trust that our ambition for the European hydrogen industry can be delivered, making climate action more impactful and Europe stronger and more resilient.



⁴ IHTF & Hydrogen Council. [Emerging cross-border trade corridors for hydrogen and its derivatives 2024](https://hydrogencouncil.com/wp-content/uploads/2024/05/Emerging-trade-corridors-for-hydrogen-and-its-derivatives.pdf). Available at <https://hydrogencouncil.com/wp-content/uploads/2024/05/Emerging-trade-corridors-for-hydrogen-and-its-derivatives.pdf>