

A true European approach to renewable hydrogen financing is needed for Europe to stay in the game

20 November 2023

Dear Minister of Finance,

The European renewable hydrogen sector is at a pivotal juncture, and your involvement is paramount if we want Europe to become global leader in this key sector of the 21st century.

Approximately 30% of global emissions are derived from sectors that are hard to electrify. Renewable hydrogen and derived fuels, produced with renewable electricity from wind and solar - also so called “Power-to-X” (P2X) - are essential to deeply decarbonise them and therefore are crucial to reaching net-zero emissions. This is also a once-in-a generation opportunity to propel European industry into the strategic markets of the future such as green steel or green fertilisers.

The critical first wave of European renewable hydrogen projects are very close to becoming reality, but many of them will only do so if certain measures are taken. Today, only 4% of projects have reached final investment decision¹. Inflationary pressures and increasing interest rates have cast a shadow over investment cases. We see looming bottlenecks in supply chains from critical raw materials, too slow permitting, European electrolyser manufacturing capacity to a shortage of skilled labour. Most importantly, the cost of renewable hydrogen is still too high compared to incumbent alternatives. These obstacles slow down progress in Europe, while the world is catching up.

Urgent and bold action is required now to realise more projects and supply Europe's hard-to-electrify sectors with the volumes of green molecules they require. For this, the rapid, non-bureaucratic, and targeted deployment of simple and well-focused public financial support is needed. **We call on you to:**

1. Streamline national and EU public funding to accelerate the deployment of renewable hydrogen projects and electrolyser manufacturing capacity in Europe.
2. Allocate national budgets to the European Hydrogen Bank to bolster its budget and use its simple “Auction-as-a-Service” to support your national renewable hydrogen projects and allow them to reach the finish line faster.
3. Support the deployment of new, additional, funds for the next European budget and European Investment Bank to provide guarantees to unlock and accelerate private investments in Europe.
4. Implement the “polluter pays” principle in energy taxation, taxing products according to their greenhouse gas content.
5. Stop fossil fuel-related subsidies, aligning actions with the goals set out in COP28.

Future focus

Despite intensifying climate change effects and global calls to stay on track with the Paris Agreement goals, fossil fuel subsidies increased while fossil companies made historical profits². **We are not short of money for energy in Europe; we are short of focus.**

Public funding must focus on massively deploying more renewable electricity and renewable hydrogen as the most sustainable, scalable, and compatible solutions to reach climate and zero-pollution goals. Renewable hydrogen emits no carbon emissions in its production phase

¹ Global Hydrogen Review 2023, September, International Energy Agency.

² The [2023 state of the energy union report](#) estimated that EUR 123 billion was allocated to fossil fuel subsidies in 2022, with the overwhelming majority of these subsidies (98% in 2022) deemed environmentally harmful.

and is thus not equivalent to low carbon hydrogen that can deeply undermine decarbonisation efforts if poorly regulated. Public financing leveraging taxpayers' money must support true future-proofed sustainable solutions. This holds particularly true for hydrogen.

Efficiency first and combining funds

Efficient resource utilisation should always be a guiding principle, but especially in times of crisis. Unlike the United States (US) and its holistic and simple approach to financing, Europe's public funding is presently disbursed across multiple EU and member state mechanisms³, each with its own unique design, processes, timelines, and state aid approval procedures. These schemes often prove narrowly focused (e.g. on research and development or capital expenditure) and complex to access, impeding project developers to make a business case.

In line with the "efficiency first" principle, we call for making public funds to scale up the P2X sector available in a simpler and more cumulable way to meet the renewable hydrogen targets for industry, maritime and aviation sectors collectively adopted by the EU and its Member States⁴. When combining national and European support schemes, EU funds should be allocated in a way that ensures a level playing field among Member States. But leveraging existing funds will not be sufficient. **Allocating new, additional, funds will also be pivotal to overcome the lack of private investments** and loss of competitiveness of European industry.

Speed and simplicity

To accelerate P2X initiatives, fuel the learning loop, and catalyse the development of a competitive renewable hydrogen value chain in Europe, it is vital to secure fit-for-purpose early-stage public funding, which will in turn attract the private capital needed to unlock investments. And **in the face of fierce competition from continent-size countries like the US or China, a true European – not national – response is needed.**

The European Hydrogen Bank is a highly innovative and promising new tool that can embody the ideals of speed and simplicity. Offering a 10-year fixed-premium of up to €4.5/kg of renewable hydrogen is a commendable step. However, the importance of allowing supplementing EU funding with national support cannot be overstated, also to ensure that all Member States can benefit from this tool and provided that a geographical balance is ensured in allocating EU funds. **National authorities should embrace this tool and use the Hydrogen Bank's "Auction-as-a-Service" to ensure simplicity and speed.** In this way, EU member states can avoid creating a patchwork of different support schemes across Europe and losing time in designing, adopting, and implementing their own national schemes. Embracing the Auction-as-a-Service would create a virtuous circle which is especially critical as inflation and increasing interest rates pose serious challenges to the deployment of capital-intensive innovative energy solutions such as the large renewable hydrogen projects needed.

Europe has everything it needs to lead the renewable hydrogen revolution. This opportunity must not be missed. Your contribution is decisive in making this happen.

We, the supporters of the Renewable Hydrogen Coalition, are fully committed to helping you deliver on our common goal of building a sustainable and resilient Europe with renewable energy, and we remain at your disposal for any clarifications on these recommendations.

Thank you for your careful consideration.
Sincerely,

The CEOs of the Renewable Hydrogen Coalition.

³ Such as the Important Projects of Common European Interest (IPCEI), the EU Innovation Fund, Recovery Funds, Strategic Technologies for Europe Platform (STEP), Sovereignty Fund, and many other national support schemes.

⁴ In the 2023 revision of the Renewable Energy Directive, FuelEU Maritime and ReFuelEU Aviation.



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