Renewable Hydrogen Coalition

European Hydrogen Bank – Draft Terms & Conditions of the Third Auction

RHC Recommendations

25 September 2025

The European Hydrogen Bank (EHB) was introduced as a first-of-its-kind flagship EU instrument to accelerate the market ramp-up of **renewable hydrogen**, send long-term signals to investors, close the green premium with fossil-based alternatives, and help Europe secure a leading position in the global hydrogen economy.

Yet, in its current form, the **EHB suffers from design flaws and fails to properly account for the current reality of the market**. Unless these issues are resolved in the 3rd auction terms and conditions (T&Cs), the EHB will not deliver the much-needed support project developers and offtakers so much need. The market ramp-up will further stall. Europe will not meet its ambition and targets for renewable hydrogen.

More than ever, public support remains crucial in this early market phase to unlock private investment. The sooner the renewable hydrogen market ramps up, the faster the green premium and need for public support will reduce. EHB should become Europe's primary financing tool to deploy industrial-scale renewable hydrogen projects with speed and simplicity, deliver economies of scale, mature the value chain, and help us reach our targets.

Below, we present our recommendations to strengthen the upcoming EHB auction(s) and ensure this instrument truly helps turn ambition into tangible market development.

1. Increase EHB's budget in line with the binding RFNBO targets

The current EHB budget is widely recognised as **insufficient** to close the funding gap **between renewable hydrogen and grey hydrogen**, which remains the key barrier to scale-up. If an important part of this gap is not bridged in this early market phase, investments in renewable hydrogen will not happen.

How much? Only looking at the REDIII RFNBO targets, BloombergNEF estimates that they will represent 2.1mt of renewable hydrogen in 2030. Just this volume would require a budget of EUR 6 billion to 8 billion/year if we apply respectively an IRA-like support of EUR 3/Kg or the EHB ceiling support of EUR 4/Kg in order to effectively cover (more of) the real cost gap between renewable hydrogen and grey hydrogen or natural gas in many countries. Such amounts are **small compared to what Europe still pays for fossil fuels** (e.g. EUR 375.9 billion spent on imported fossil fuels in 2024[1], EUR 111 billion still disbursed in subsidies in 2023[2]) and given what is at stake in terms of climate change mitigation, energy security and competitiveness.

Additionally, to improve effectiveness, the EHB should apply indexation to match the long-term nature of supported projects facing changing economic conditions in time.

There should also be **visibility on the timing of auctions over the next couple of years** with a clear aim to help deliver the legally binding REDIII RFNBO targets for 2030, 2035 and 2040 and beyond. The European Commission should also commit to communication on the

[1] Eurostat

[2] European Environment Agency

participation of Member States in the Auctions as a Service well ahead of the general EHB auction.
Last, clarity should be provided on how the reserve project list functions, with more projects or a set capacity included. The Commission should also clarify what happens with unspent funds.

2. Allow cumulation of support including funding already awarded

The EHB excludes projects that have already received support. This restriction runs counter to the financial reality of projects, which often require **blended support** across development expenditure (DEVEX), capital expenditure (CAPEX), and operational expenditure (OPEX) phases. Given its insufficient budget, the 3rd auction should allow cumulation for most mature projects (e.g. projects that have been awarded after scrutiny of the project by a public authority), temporarily, to close the cost gap between grey and renewable hydrogen.

3. Maintain the electrolyser resilience criterion set in the second EHB auction

While welcoming simplification and alignment with the NZIA implementing act, we recommend maintaining the resilience criterion adopted in the second EHB auction. This criterion is essential to reduce dependency on one single third-country supplier for critical components and strengthen Europe's hydrogen value chain.

The EU has invested billions to develop world-leading electrolyser technologies. European electrolyser factories now need firm orders to not close, anchoring jobs and know-how in Europe. Without such a strong criterion, Europe risks repeating the mistakes of the past: overdependence on one delocalised supplier, higher equipment prices, and supply disruptions.

4. Support to low-carbon electrolytic hydrogen must come with a binding requirement to transition to renewable hydrogen within a set period (e.g. 5–7 years) from entry into operation

Renewable hydrogen should always be prioritised when allocating public funding as the **most compatible** option with the EU's **climate neutrality and zero pollution** goal in the long term and the most coherent with an integrated energy system. The inclusion of electrolytic low-carbon hydrogen (LCH) under the same budget envelope as RFNBOs raises fundamental concerns. While it may provide short-term benefits such as cost reductions and geographical diversification, it creates an **uneven playing field** by giving LCH projects access to subsidies without requiring a transition towards renewable electricity sourcing to help meet the RFNBO targets, and based on production rules that do not come with the same safeguards than the RFNBO production rules to avoid increasing the carbon intensity of grids or broader deterrent impacts on energy systems. This may also undermine investor interest in renewable hydrogen. These issues should be addressed in the T&C. We also call on the Commission to ensure that fossil low carbon hydrogen does not become a part of the EHB as this will lead to lock-in in fossil fuel imports, running counter to Union's climate and energy security objectives.

5. Introduce safeguards to support the most mature projects and renewable hydrogen ramp-up

Speculative bidding in projects that do not materialise leads to loss of public funding, wasted time, missed climate benefits, and undermine EHB's credibility. To ensure public **support goes to the most mature and bankable projects**, the European Commission should consider introducing a clear requirement for project maturity, helping to ensure that only developers

with serious bankability can participate. For example, this can be done by requesting pre-FEED, a detailed LCOH calculation and that key permits such as environmental and grid connection are in place at the time of bidding. Together, these measures would channel funding towards projects that are genuinely ready to move forward, increasing the chances of successful and timely deployment of renewable hydrogen.

6. Apply DHNS only where it matters most to avoid creating unnecessary burden

The implementation of Do No Significant Harm (DNSH) requirements is a welcome step to avoid low-carbon electrolytic hydrogen rising **carbon emissions on electricity grids,** increase dependency on fossil fuel imports or ensure proper nuclear waste management.

Applying DNSH to eletrolysers will bring no added value but increase paperwork and red tape. Electrolyser related activities are already fully compliant with the EU taxonomy regulation and manufacturers already report on this every year as part of their obligations.

7. Restore higher maximum grant ceilings to support industrial-scale projects

The reduction in maximum grant size from EUR 250m to EUR 200m undermines the bankability for large-scale projects, which are precisely those needed to achieve economies of scale and drive cost reductions. Further, these projects are the **main drivers for building out the hydrogen grids**, making them strategically important for the realisation of a European hydrogen market. The EHB's third auction should therefore be specifically designed to support the launch of projects key to economies of scale and infrastructure development, which are in turn needed for more projects to reach FID. Capping grant too many risks further slowing down the market ramp-up.

8. Allow flexibility in deadlines where delays are beyond developers' control

Rigid deadlines for project completion in the draft terms and conditions do not reflect the reality of today's hydrogen market. Project delays often arise from external factors, such as:

- **Lack of infrastructure readiness** (pipelines, storage, terminals, grid connections),
- Delayed in **regulatory transposition** (RED III implementation),
- Limited offtaker readiness due to absence of **demand-side signals** (e.g. lead markets).

Awarded projects should not lose their support due to delays outside their control.

The EHB should allow extensions of timelines and adjustments of volumes or capacity, recognising that project developers are first movers dependent on regulation and infrastructure being in place.

9. Broader challenges beyond auction design

While auction design is central, structural issues also limit the EHB's effectiveness:

- **Infrastructure delays:** Projects cannot reach FIDs without timely delivery of hydrogen backbone infrastructure. The EHB must be coordinated with the Hydrogen Backbone and TEN-E implementation to ensure alignment between project timelines and infrastructure roll-out.As part of the qualification process, projects, with the exception of off-grid projects, should provide a description of their links to backbone infrastructure, ensuring that awarded projects are compatible with planned network development while keeping the overall auction design simple and transparent.
- **Demand-side support:** The absence of robust lead market measures (green public procurement, product standards…) leaves renewable hydrogen and products made

with it without sufficient demand. The upcoming Industrial Decarbonisation Accelerator Act must champion lead markets prioritising renewable hydrogen-based products.

- **Policy coherence:** The EHB should be part of a broader integrated framework linking supply-side support, demand creation, infrastructure rollout, and preference for renewables in state aid rules. Without this, auctions alone cannot unlock investment at the necessary scale.