

Tuesday, 31 January 2023

President Von der Leyen

cc. Executive Vice President Timmermans, Executive Vice-President Vestager, Commissioner Breton, Commissioner Simson

Subject: Supporting a truly European renewable hydrogen value chain

Dear President,

The European Commission's RepowerEU Communication proposed a Hydrogen Accelerator, setting out a strategy aimed at producing 10 million metric tons of renewable hydrogen within the EU. Meeting these targets would require an installed electrolyser capacity of 90-100 GW¹. This is both an unprecedented challenge and a significant opportunity to build on our current technological & industrial leadership. The benefits of this upscaling exercise will be felt throughout the European supply chain, from steel producers to providers of power electronics. The development of a renewable hydrogen industry in Europe will also contribute towards the EU's Green Deal Industrial Plan and energy security strategy: specifically, the move away from fossil fuel imports to a more resilient and sustainable economy based on renewables. While embarking on this mission, we must ensure that we de-risk our strategy and not replace today's dependencies with new ones.

We, members of the EU Electrolyser Partnership call for the development of a sustainable European value chain for renewable hydrogen adapted to the needs and expectations of the current global competitive & geopolitical landscape. The post-covid economy and the war in Ukraine have set in motion a general development of "nearshoring" and more regionalised supply chains. Furthermore, the adoption of the U.S. Inflation Reduction Act (IRA) heralds a paradigm shift in global trade and hydrogen production. The stipulations on "buy American" in the IRA, coupled with China's known policies to promote state entities, squeezes European manufacturers from both ends. A recent Bloomberg study highlighted that based on current policies and trends, China would be the market dominant player for electrolyser manufacturing by 2025.²

Reflecting our collective ambition to become the world leaders in renewable hydrogen, the EU and its Member States have made great efforts and have committed significant financial capital, most recently through the IPCEI scheme. However, European money is finding its way into the hands of non-European based competitors. Already, the first electrolyser project with stacks made in China has been installed in Europe. We need to ensure that future funding mechanisms such as the EU Sovereignty Fund and/or the Hydrogen Bank support the development of the electrolyser manufacturing industry in Europe. EU tax-payers money ought to be reinvested in Europe for the benefit of Europeans.

Europe needs an adequate response to the risk of de-industrialisation. This means taking proactive measures to ensure European standards are enforced in renewable hydrogen projects built in

¹ Measured in terms of hydrogen output ; up to 140 GW if measured in terms of electricity input.-This assuming an average electrolyser utilisation factor of 43% and electrolyser efficiency of 70% (this is just for indicative purposes and not a commitment or reference to any specific technology or business case).

² China's electrolyser manufacturing capacity exceeds Europe's capacity already significantly in 2022 Global Hydrogen Review 2022 (windows.net) Page 80.

Europe via European funding. We call these measures “European standards” mindful that they can be designed in different ways and in compliance with WTO rules. The aim is to ensure that the European electrolyser industry remains globally competitive with offerings of the highest quality, reliability and efficiency of products and their constant improvement while adhering to the robust European safety, environmental and sustainable standards.

Now more than ever, we need to maintain European technological leadership in electrolysers to ensure energy security and industrial competitiveness. We must learn from previous lessons such as the case of the solar industry. Our EU hydrogen policy is as much about energy security and climate policy as it is about industrial policy. As such, EU funding mechanisms should:

- Be designed according to the state of the market, implying at the current stage a fixed premium model per kg of green H₂ with no auctions for an initial period to ensure the development of the sector and a level playing;
- Support the development of a renewable hydrogen value chain “made in Europe”;
- Support the creation of European jobs in clean tech manufacturing and a just transition;
- Support European research and development, thus promoting European centres of excellence.

The close proximity of European industry to these centres of excellence is key to ensuring job creation as well as the highest level of innovation, sustainability, quality, reliability and efficiency of products and their constant improvement.

The enforcement of “European standards” will level the playing field and contribute to the rise of a new European industry. We can do this in line with EU policies and WTO principles. We call on the European Commission to consider requirements specifically supporting ESG and European standards when developing future funding tools and pre-qualification criteria e.g.,

- Projects should show significant contribution to European values and sustainability in form of specific ESG requirements;
- Projects should show significant contribution to job creation and centres of excellence; similar to requirements outlined in IPCEI;
- Projects should include certain sustainability requirements such as recycling obligations and CO₂ footprint of electrolyser manufacturing facilities.

We, the undersigned, commit to further developing our recommendations in the near term and to continue using the established Electrolyser Partnership as a forum for dialogue with the European Commission and relevant stakeholders on this topic and others such as raw materials. We remain at your disposal for any questions or further clarifications.

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