

Hydrogen Europe is the European association representing the interest of the hydrogen industry and its stakeholders and promoting hydrogen as an enabler of a zero-emission society. With more than 520+ members, including 40+ EU regions and 35+ national associations, we encompass the entire value chain of the European hydrogen and fuel cell ecosystem. Our vision is to propel global carbon neutrality by accelerating European hydrogen industry.

Hydrogen Europe welcomes the new rules for the update of the free allocation rules. Free allowances allocation under the EU ETS can represent a substantial unconditional support to clean hydrogen production. It sends the right signal for investments in this emerging market.

Defining the hydrogen benchmark independent of the production process is essential to providing a fair level-playing field for all technologies. The removal of “hydrocarbon” reference means all technologies, including electrolysis, can benefit from free allowances. The choice of option B is therefore welcome.

Regarding the removal of the factor for the exchangeability of fuels and electricity (EFE), for the purpose of the determination of free allowances, it allows to make hydrogen production technology with zero-direct emission eligible to free allowances. This is the implementation of the ambition of the revised ETS directive and is a very welcome development. As the first sentence of Recital 9 states that the rules for exchangeability will be removed, we understood that the intention of the European Commission was to move the hydrogen benchmark from Section 2 to Section 1 of Annex I to Commission Implementing Regulation (EU) 2019/331, however this has not been implemented and the benchmarks remains in the renamed Section 2 (“Definition of product benchmarks and system boundaries with collection of data on electricity consumption”). We would welcome any measure that provides the required level of clarity. Moreover, the statement “financial measures to compensate indirect costs passed on in electricity prices should not compensate the same indirect costs covered by free allocation” in Recital 9 creates uncertainty as to what measure will apply in such a situation. For those reasons, Hydrogen Europe requires to get confirmation on the guarantee that State aids for indirect cost compensation pursuant to Article 10a(6) of Directive 2003/87/EC next to free allowances allocation will be allowed, as both will prove key to support the ramping up of the sector. Hydrogen Europe remains open to continuing the dialogue with the Commission and relevant stakeholders on this key topic.

The rules for new entrants will allow clean hydrogen producers to benefit from free allowances for their operations in 2024, without affecting incumbent beneficiaries. This is yet another positive development.

Finally, once the mentioned clarifications are made, Hydrogen Europe calls on the Commission and co-legislators to adopt these updated rules for free allowances allocation as soon as possible.