

Subject: European Hydrogen Bank – Ensuring effective allocation of support in upcoming auctions

To the attention of:

President Ursula von der Leyen
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As National Hydrogen Associations from around Europe we would like to congratulate you on the work undertaken by the European Commission and European Climate, Infrastructure and Environment Executive Agency in establishing and implementing the European Hydrogen Bank (EHB).

This instrument is a cornerstone of the European hydrogen strategy and an essential lever for supporting the re-investment in some of the key industries where Europe has strong resilience and decarbonisation goals: steel, fertiliser, and fuel for the maritime and aviation sectors.

Lessons from the first two European Hydrogen Bank auctions have shown both the potential of the bank, as well as highlighted the fundamental steps that are needed to ensure the EHB gives both project developers and member states confidence for planning and investment.

The first auction rounds had great subscription success - with the third auction requests exceeding the funding by six times (although in the previous rounds several projects submitted bids at unrealistically low-price levels, making them appear artificially competitive during the auction process and subsequently failing to materialise).

This has led to the first notable issue with the EHB as it currently stands: that **the use of available funding has been hindered by many unexpected withdrawals during the signature process of selected projects.**

In this context, the signatories welcome the strengthened guarantee and credibility criteria recently introduced by the European Commission. These safeguards are essential to ensure that the EHB can effectively support credible projects and contribute to building a robust European hydrogen industry. However, these safeguards alone are not sufficient. The hydrogen market is still developing and as such experiences offtake uncertainty. **At present, the combination of the guarantee and the strict requirements such as those on financial close and entry into operation can dissuade projects from choosing the EHB.** We believe that the entry into operation requirement should thus be applied with more flexibility when delays stem from external factors, such as the member states delayed transposition and implementation of the RED III regulation, which negatively affects market development and offtake availability.

It is essential to ensure that public support is directed towards serious and economically viable projects. The Commission took an important first step by reallocating funds to additional projects after the withdrawal of certain winners. However, a significant share of those subsequently selected projects still proved insufficiently robust, resulting in the absence of further reallocations and a substantial share of the announced EHB budget remaining unused.

During the second auction, only around €300 million of the €1.2 billion available was effectively allocated. This outcome largely reflects the presence of speculative or non-credible bids that prevented funding from reaching projects capable of delivering. On the other hand, national schemes have been successful in backing up the EHB and some projects have been awarded through the very successful Auction-as-a-Service (AaaS) mechanism proposed by the European Commission. This scheme allows Member States to directly allocate national funding to excellent eligible projects from the EHB evaluation and has seen success, with one of these projects reaching financial close directly after having been awarded the funding.

However, further down the ranking and for projects where member states did not allocate national funding, projects that had submitted serious bids (realistic economic balances supported by credible offtake arrangements) were not reallocated. **Ensuring that such projects can access support is key to maintaining confidence in the instrument.**

It is important that this situation does not repeat itself during the third auction round. Europe needs to restore momentum across the European hydrogen ecosystem and a full reallocation of all EHB funding is necessary to ensure confidence in the hydrogen sector.

The signatories therefore call on the European Commission to **extend the reallocation mechanism so that eligible projects can be selected until the full auction budget is effectively committed.**

The EHB is essential for the sector, and the signatories also call for the EHB auction to continue beyond the third round, for at least three additional rounds.

Certainty of future auction cycles will give both project developers and member states confidence for planning and investment.

Yours sincerely,



