



Hydrogen  
Europe

# Industrial Decarbonisation Bank

*Hydrogen Europe Position Paper*

May 2026

## Key policy recommendations

- A. Position the Industrial Decarbonisation Bank (IDB) as Europe’s key instrument for industrial decarbonisation and market creation, mobilizing funding to de-risk hydrogen production and secure offtake.**
- The IDB should complement and coordinate with existing EU instruments, particularly in terms of type of support, costs covered, and maturity, while supporting the transition from subsidy-driven financing towards market creation.
  - It should build on the experience of the Innovation Fund and the European Hydrogen Bank (EHB) (e.g. Auction-as-a-Service (AaaS)) and connect to the European Competitiveness Fund (ECF).
  - In case of discontinuation of the EHB, the IDB should support production and offtake of clean hydrogen and derivatives, kick-starting demand as a basis for a self-dependent, competitive renewable fuels sector in Europe.
- B. Ensure fair competition across decarbonisation pathways.**
- Beyond euros per ton of CO<sub>2</sub> (€/tCO<sub>2</sub>) as a central metric, the IDB should combine system-level cost and GHG in a multi-criteria evaluation with the possibility to organise funding calls by industrial sectors and technologies, particularly where projects face different deployment conditions.
  - The goal should be to ensure a level-playing field across technologies for different offtakers and for EU hydrogen players across different technology pathways.
- C. Enable coordinated support across the hydrogen value chain.**
- Clear cumulation rules between EU instruments, AaaS/Grants-as-a-Service (GaaS), national schemes and State Aid is needed to close funding gaps and support both producers and industrial offtakers, particularly in emerging decarbonisation value chains where supply and demand must develop simultaneously.
- D. Deploy a diverse toolbox and include blended finance and risk-sharing tools.**
- The IDB should remain open to different instruments - depending on the risk to tackle for the industrial decarbonisation.
  - An essential criterion for selecting the optimal funding mechanism is based on evaluating the objective of public support: whether it seeks to mitigate operational risk or to decrease the construction risk - while integrating blended finance and risk-sharing tools to unlock private investment.

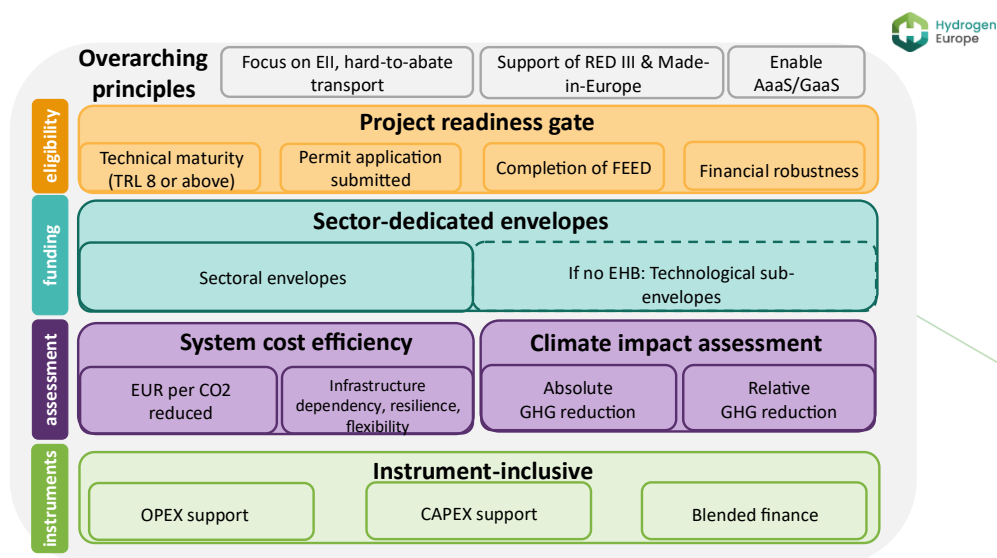


Figure 1 Summary of Hydrogen Europe's demands for the IDB

## Content

Key policy recommendations.....	2
Content .....	3
1. Context for the EU Industrial Decarbonisation Bank .....	4
2. IDB as Europe’s system-level decarbonisation instrument .....	4
2.1 Considerations for the IDB and lessons learnt from existing instruments.....	5
2.1.1 Sectoral focus of IDB on hard-to-abate sectors, RED III and Made-in-Europe conditions	5
2.1.2 Ensuring funding for clean hydrogen production and offtake.....	5
2.1.3 Lesson learnt from EHB and Innovation Fund: focus on eligible mature technology projects	6
2.1.4 No one-fit-all instrument for revenue stabilisation .....	6
1.1 Recommendations for a level playing field and technological neutrality .....	7
2.2 Recommendations to enable coordination with EU instruments.....	9
2.2.1 Cumulation and common timelines are indispensable.....	9
2.2.2 Blending and risk-sharing to connect the IDB to the next MFF .....	9

## 1. Context for the EU Industrial Decarbonisation Bank

The Industrial Decarbonisation Bank (IDB) is a major initiative announced under the [Clean Industrial Deal \(CID\)](#), with the official proposal expected in late Q2 2026. Envisaged as a €100 billion EU programme, the IDB could draw its funding from these principal sources (this is one option that was shared. How the IDB will be set up is still yet to be determined)<sup>1</sup>:

Innovation Fund	InvestEU <sup>2</sup>	ETS revenue	Member States funding
EUR 20 billion	EUR 25 billion	EUR 25 billion	EUR 30 billion

This means that its financial resources will be supported by both the Member States' and EU's budgets. In this context, the IDB is anticipated to be operating within the governance structure of the future [European Competitiveness Fund](#) (ECF) in the [next Multiannual Financial Framework 2027-2034 \(MFF\)](#).

As established under the CID, *the IDB aims to maximise emissions reduction across industries: it is in fact anticipated that CO<sub>2</sub> emissions abatement will be a central metric, while looking at the most cost-efficient support in a technology-neutral manner.* At the same time, the IDB is expected to de-risk market creation by bridging funding gaps across both capital expenditure (CAPEX) and operational expenditure (OPEX), particularly where market revenues remain insufficient to trigger investment: in this sense, offtake support measures - like Carbon Contracts for Difference (CCfD) - are mentioned as possibilities, as they are emerging in similar schemes in Europe (e.g. the German KSV). The support will be distributed competitively and fairly across Member States, complementing the Emissions Trading System (ETS) price signal.

However, fundamental details about instruments and forms of support are still missing. While the governance is said to be part of the new European Competitiveness Fund (ECF), the eligibility as well as the precise connection and cumulation rules remain uncertain.

The following chapters outline key considerations to inform the discussion on the IDB and ensure this mechanism can support an industrial transformation that balances competitiveness with long-term decarbonisation and resilience. In order to inform the design of the IDB, the European Commission (EC) has launched by end 2025 a [pilot auction on industrial heat decarbonisation](#) through electrification, which uses CO<sub>2</sub> emission reduction cost as the metric between projects, setting a precedent for future mechanisms.<sup>3</sup> DG CLIMA - which oversees the Innovation Fund and the auctions mechanisms under its umbrella - has signalled that the pilot heat auction's link to the IDB lies in its use of the CO<sub>2</sub> abatement metric, and there is information available concerning the possibility of an auction design based on a potential CCfD.

## 2. IDB as Europe's system-level decarbonisation instrument

Despite the presence of the Innovation Fund, the Hydrogen Bank, CEF, InvestEU, and national schemes, the hydrogen sector faces major uncertainty regarding long-term revenue, demand creation and infrastructure integration. Additionally, the current funding toolbox lacks risk sharing tools, cumulation certainty, and cross-instrument coordination to better tackle the funding gap. Therefore, the IDB must be explicitly designed to fit into the next MFF, where a better coordination of funding and risk-sharing tools – e.g. via InvestEU and the European Competitiveness Fund - is expected.

<sup>1</sup> Within these funding envelope, ETS revenues and Member State contributions are the most uncertain sources, as they depend on volatile income streams and are not anchored in the EU budget, reducing predictability and long-term planning certainty.

<sup>2</sup> Since 2028, InvestEU will be included into the new European Competitiveness Fund.

<sup>3</sup> In the pilot auction, projects can choose if they want to calculate their CO<sub>2</sub> abatement costs according to the ETS heat benchmark or fossil fuel emission factors.

The IDB should deliver the coherent, system-level financing architecture needed for Europe's industrial decarbonisation, connect existing EU instruments to create a funding framework that drives industrial transformation synchronous with market creation, and strengthen Europe's strategic autonomy. It should do so by **making sure that the entire value-chain of the hydrogen sector is mirrored across funding instruments, to support the supply and demand of clean hydrogen production.**

## 2.1 Considerations for the IDB and lessons learnt from existing instruments

The proper design of the IDB is critical to the development of the hydrogen sector. As the continuation of the European Hydrogen Bank (EHB) beyond its initial €3 billion budget remains uncertain following the IF25 call,<sup>4</sup> there is a perceived risk that a dedicated funding envelope for hydrogen production may no longer be available.

**While Hydrogen Europe has consistently been calling for the continuation of the EHB, and continues to do so, the correct setup of an eventual IDB is of utmost importance to ensure continued support across the entire hydrogen value chain.**

### 2.1.1 Sectoral focus of IDB on hard-to-abate sectors, RED III and Made-in-Europe conditions

**The IDB should focus its efforts on supporting industrial offtakers, namely hard-to-abate and energy intensive industries (EII)** (e.g. chemicals including hydrogen derivatives, cement, steel, and certain transport sectors).

To do so, a technology-neutral approach for hydrogen is needed, which allows implementing RED III, while supporting both delegated acts. Additionally, the terms of participation in the IDB should be in line with the Made-in-Europe conditions set out in the Industrial Acceleration Act (IAA) and, until the IAA has been implemented, use NZIA criteria. Funding for hard-to-abate transport sectors could be complemented by revenues from non-compliance penalties under ReFuelEU Aviation and FuelEU Maritime.

### 2.1.2 Ensuring funding for clean hydrogen production and offtake

For hydrogen to contribute effectively to industrial decarbonisation, support for production and industrial use must remain coherent across instruments. As anticipated, given the uncertainty surrounding the continuation of the European Hydrogen Bank (EHB), **it is essential to ensure continued funding for hydrogen production** even if the EHB is discontinued, to **prevent supply bottlenecks that could undermine industrial decarbonisation objectives**. The IDB only needs to take on this role if the EHB is discontinued – otherwise, hydrogen production would be supported through the EHB and the IDB should only focus on hydrogen offtake.

**Hydrogen Europe recommends maintaining both the EHB and the IDB as complementary funding mechanisms for the hydrogen sector with a sufficient budget provided.** Accordingly, we recommend continuing the EHB auctions – with the needed modifications in terms of assessment criteria and conditions - while ensuring that the IDB focuses on industrial hydrogen offtake.

---

<sup>4</sup> The EHB was set up with the objective of allocating €3 billion to support the hydrogen sector. However, following the conclusion of two auctions with a combined budget of €2 billion, only €0.965 billion has been allocated to projects. While a third auction with a budget of €1.3 billion is currently ongoing, there is no clarity regarding the continuation of the EHB beyond this phase, creating uncertainty for project developers and investors.

### 2.1.3 Lesson learnt from EHB and Innovation Fund: focus on eligible mature technology projects

**The IDB should incorporate lessons learned from the EHB and Innovation Fund, notably the need to ensure project maturity and realistic prices.**

Failure to do so can result in a high number of projects cancellations and delays. Moreover, competitive bidding mechanisms are only effective when adequate funding is available to support all viable projects; otherwise, they risk creating excessive competition and encouraging applicants to understate their true funding requirements.

To complement the Innovation Fund and exploit the lesson learnt from the EHB, **the IDB should therefore focus on projects that are sufficiently mature to be promoted under a competition-based scheme and ensure sufficient funding for the projects to reach FID<sup>5</sup>**. Applicants should demonstrate project maturity by meeting eligibility criteria such as evidence of permit application submission, completion of FEED, demonstration of technological readiness at TRL 8 or higher, as well as standard requirements on financial robustness<sup>6</sup>. This would **reduce speculative participation** and strengthen delivery credibility, without imposing preventive financial burdens such as rigid completion bonds or unrealistic entry-into-operation deadlines that may be influenced by external infrastructure constraints and therefore only add rigidity to the program implementation. The progress under the EC Hydrogen Mechanism (matchmaking supply and demand requests) could further support this process, effectively working as a (non-mandatory) platform to match supply and demand for projects that could later apply, and helping the commission better benchmarking will to pay and coherent market prices, reducing the risk of rewarding unreasonably lower offers which are likely to fail.

Lastly, the IDB should incorporate **proven design features from the EHB**, including a national funding “Auction-as-a-Service” mechanism to add to EU funding with national top ups. This has been one of the most successful tools in the EHB to ensure enough funding for the hydrogen sector.

### 2.1.4 No one-fit-all instrument for revenue stabilisation

**The IDB should remain open to different instruments and allocation methods, while giving certainty to investors with clear programming. An essential criterion for selecting the optimal funding mechanism is based on evaluating the objective of public support: whether it seeks to mitigate operational risk (commercial de risking) or to decrease the construction risk (financial de risking).**

In the former case, revenue-stabilising instruments such as CCfDs are more suitable, as they offer projects long-term revenue visibility; in the latter, direct CAPEX support may become appropriate. This implies that the appropriate instrument depends on sector and technology-specific decarbonisation needs. However, no single instrument can compensate for competition design (see chapter 2.2)<sup>7</sup>.

Different revenue-stabilisation mechanisms and mechanisms to lower the green premium, as announced by the EC, should therefore be assessed and embedded within the broader IDB architecture. **This would ensure that the entire value-chain of hydrogen is considered in the IDB.**

---

<sup>5</sup> To kickstart markets for industrial decarbonisation, it is more effective to fully close the funding gap of a limited number of projects through public support than to spread funding thinly across many projects without resolving their financing needs.

<sup>6</sup> The [ECA Special report 11/2026: Innovation Fund – High potential, but slow progress and little impact on emissions reduction](#) highlights that weaknesses in assessing project maturity have contributed to implementation challenges among Innovation Fund projects. This underlines the need for a more robust and stringent maturity assessment under the IDB, especially as the focus should shift away from innovation and towards deployable projects.

<sup>7</sup> This would also be coherent with Article 32 of the European Competitiveness Fund, where multiple competitive bidding instruments are included.

## 1.1 Recommendations for a level playing field and technological neutrality

The Commission's pilot auction for industrial heat decarbonisation — based on the €/tCO<sub>2</sub> metric — signals a likely methodological foundation for the IDB, possibly leading to a CCfD. CO<sub>2</sub> abatement cost is an appropriate and essential benchmark. However, **relying exclusively on a single cost metric poses two structural risks** that must be addressed:

- **A singular focus on cost-efficiency will crowd out harder-to-abate sectors:** When projects compete in a single-ranking pool, lower-cost applications can crowd out harder-to-abate industrial sectors. While this may optimise short-term cost efficiency, it risks undermining market creation in energy intensive industries and the transport sector, which also need to decarbonise for Europe to meet its decarbonisation goals;
- **A mere cost-efficiency focus disadvantages developing industrial decarbonisation technologies:** Some decarbonisation pathways, such as low-carbon or RFNBO hydrogen, depend on emerging infrastructure, face higher financing costs due to limited commercial replication, suffer higher perceived risk from investors or require coordinated supply and demand development. These characteristics materially affect cost efficiency metrics.

Therefore, while cost efficiency, expressed as €/tCO<sub>2</sub>, can remain the central metric of the IDB - ensuring transparency, comparability and fiscal discipline in the allocation of public funds, it cannot fully capture industrial transformation dynamics alone. **Consequently, a robust IDB needs a structured multi-criteria evaluation framework, sectoral (e.g. EII industry & hard-to-abate transport) and sub-technological (e.g. RFNBO, low carbon hydrogen) envelopes to ensure fair competition between decarbonization pathways and project evaluations among peers.**

### 2.1.5 Criteria to consider for a structured multi-criteria evaluation scheme

**To reinforce equality in ranking projects in the IDB, we recommend a multi-criteria approach complementing cost efficiency, allowing comparison of projects in the same pool and considering:**

#### ***(a) System-level Impact***

Evaluation should account for system-level considerations that are not captured in the current €/tCO<sub>2</sub> metric, and they should consider hidden system costs or benefits, including:

- **System costs (negative externalities):** assessment of additional integration and infrastructure costs imposed on the energy system, such as grid reinforcement, dedicated pipelines, or auxiliary assets required for project viability;
- **System benefits (positive externalities):** assessment of infrastructure enabling and network effects that reduce future costs, lower entry barriers, and unlock follow on investments through spillover and scale effects;
- **Flexibility contribution and system resilience;**
- **Whole energy system costs;**
- **Full life-cycle considerations.**

Without recognising these system-level impacts, competition may favour solutions that appear cheaper in isolation but generate higher long-term system costs. Targeting both a multi-criteria evaluation scheme and different envelopes will also ensure retaining smaller projects with high decarbonisation capacity.

### **(b) GHG emissions**

Stemming from the practical experience of industry with the Innovation Fund, a project assessment also assessed based **on emissions**, whose score are normalized within a similar sector, would make the evaluation more robust and fairer:

- **Absolute GHG reduction** (total emissions avoided over the contract period);
- **Relative GHG reduction** (to award smaller but very effective projects and support SMEs too).

In general, reductions could be calculated **consistently with the baseline methodology applied under the Innovation Fund** to ensure predictability, methodological continuity and comparability across EU instruments. However, the flexibility provided by the pilot heat auction should be retained, allowing applicants to select the preferred CO<sub>2</sub> abatement calculation method for projects replacing fossil technologies. Applicants should be able to opt for actual emission factors, which would lead to a higher reduction, acknowledging a stricter obligation to provide evidence if this option is taken. For SMEs, it should be possible to have more lenient application requirements to ensure a level-playing field.

These complementary criteria do not replace cost efficiency; they ensure that competition reflects industrial and system conditions.

#### *1.1.1.1 Ensuring sectoral and technological balance*

A multi-criteria evaluation scheme alone cannot erase the structural risk where hard-to-abate sectors are underfunded when all sectors compete in the same pool.

Therefore, **in addition to a multi-criteria evaluation framework, the IDB must ensure an appropriate sectoral and technological balance**. This is particularly important for the hydrogen sector, where clean hydrogen technologies are less mature than other decarbonisation options, but are nevertheless essential for decarbonising certain industries, and to implement specific policies like RED III.

**To avoid the hard-to-abate exclusion risks, we recommend IDB to adopt envelopes, based on both hydrogen-offtake sectors (e.g. energy intensive industries and hard-to abate sectors)<sup>8</sup> and – subsequently - on technologies<sup>9</sup> (e.g. RFNBO and Low Carbon hydrogen). With this approach, projects should compete among peers within defined industrial sectors and application areas**

**With such a structure in place, the IDB will also be able to support both hydrogen production and offtake, if that will eventually be required**, avoiding bottlenecks in production as demand increases.

As anticipated in section 2.1.3, the decision about the continuation of the EHB has a clear impact on the ideal setup of the IDB for the hydrogen sector. **If the EHB is maintained and strengthened** - including expanded eligibility across renewable and low-carbon hydrogen pathways, **the IDB can focus primarily on supporting industrial offtakers. This division of roles would enhance clarity and reduce the fragmentation of funding schemes** (see Figure 2). If the European Hydrogen Bank is discontinued, the IDB should introduce technological sub-envelopes within sectoral envelopes to adequately reflect differences between industrial decarbonisation pathways. If the EHB continues, such sub-envelopes are unnecessary, as technological diversity is already ensured through dedicated hydrogen support.

---

<sup>8</sup> This mirrors the sectoral logic already applied under the Innovation Fund. The IF already recognises and mitigates part of this distortion by benchmarking emissions scores within sector categories (all projects must choose a sector, and GHG emissions scores are normalised compared to the best in class in the same sector), ensuring that projects are compared against peers facing similar industrial conditions. The IDB should build on this approach to ensure that competition reinforces — rather than undermines — Europe’s industrial transformation priorities.

<sup>9</sup> The sectors and decarbonisation technologies should be based on an assessment of the European Commission, while ensuring that the entire industry can receive funding to decarbonise. The technological sub-envelopes would need to be strategically chosen to represent the needs of the hydrogen-offtake sectors to comply with RED III.

This is the only viable way to ensure that the entire hydrogen value chain can access funding and select the best projects, while using mechanisms that can maximise the effectiveness of public spending.

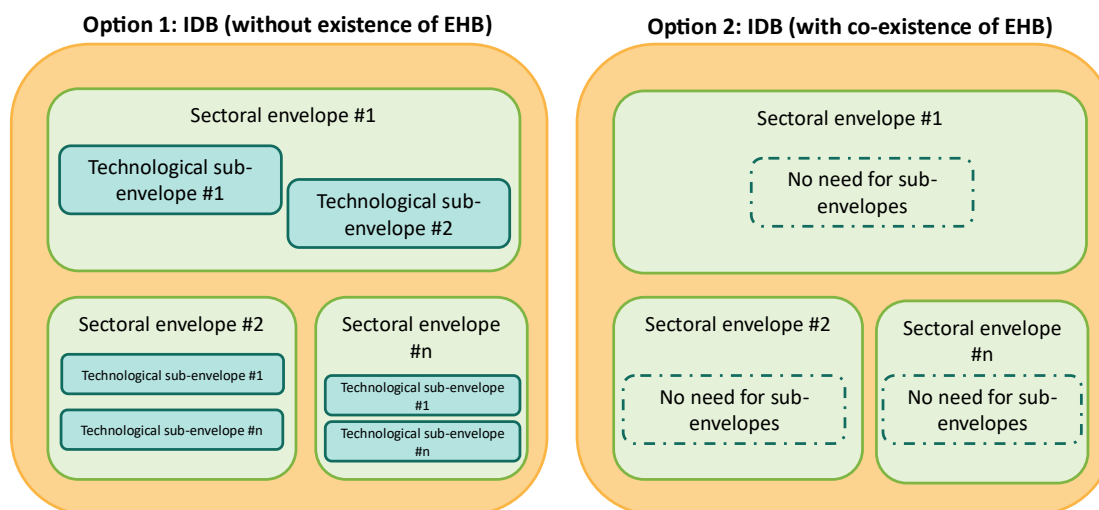


Figure 2 Comparison of set-up of IDB, depending on continuation of EHB

## 2.2 Recommendations to enable coordination with EU instruments

### 2.2.1 Cumulation and common timelines are indispensable

To support complex industrial decarbonisation projects, **the EU must ensure effective coordination and cumulation across funding instruments, firstly among Innovation Fund, the European Competitiveness Fund and possibly the EHB, therefore improving current rules.**

Since value chains like hydrogen require support for both producers and end users, cumulation rules must explicitly allow **split support for different cost components**. The EHB has already taken this step in its latest auction by permitting hydrogen offtakers to receive additional EU OPEX support when there is no overlap. **The IDB should adopt and formalise this approach to provide continuity and certainty.**

Clear **cumulation rules must also extend to cooperation between hydrogen suppliers and offtakers**, avoiding legal uncertainty and enabling projects to close the full funding gap. Beyond rules, **coordination of eligibility criteria, maturity requirements, and call timelines** across the IDB, the Hydrogen Bank, the Innovation Fund and national schemes is essential to reduce delays and secure timely investment decisions.

Lastly, "Auction-as-a-Service" and "Grant-as-a-Service" mechanisms should be included as complementary funding schemes with clear cumulation rules in the IDB (e.g. allowing both replacement and top-up funding to combine CAPEX and OPEX between EU and national streams). This would allow Member States to add national resources through a single streamlined process, to select excellent projects who could not be awarded due to insufficient funding at EU level.

### 2.2.2 Blending and risk-sharing to connect the IDB to the next MFF

**The IDB should further focus on the role of blended finance and guarantees** to implement industrial decarbonisation.

With Invest EU set to be incorporated into the new European Competitiveness Fund and turn into the *ECF InvestEU* mechanism, an increased usage of de-risking tools should be made possible.

Key pillars to be considered are:

- **Blended finance option** for all IDB projects, bringing in more private capital, supported by EIB – or others – and their implementing partners.
  - **Soft loans** (e.g. from EBRD and EIB);
  - **Public equity investments** (e.g. from EIB).
  
- **De-risking tools to tackle identified barriers to projects bankability**, particularly in 3 areas:
  - **Infrastructure**: Public guarantees should be developed for public grid and pipeline infrastructure development, supporting the expansion of necessary hydrogen transport networks;
  - **Energy access**: Clean electrolytic hydrogen project developers (that rely on private finance) often lack an AAA rating or remain unrated due to their limited size, financial strength, and operating track record. This constrains access to debt financing, increases the cost of capital, and undermines project viability (particularly acute for SMEs). Hence, developers often lack the capacity to provide long-term financial guarantees required to conclude power purchase agreements (PPAs) with renewable energy producers. A guarantee could then support hydrogen producers in securing PPAs, significantly improving project bankability<sup>10</sup>;
  - **Technology liability**: Private investors (equity and debt) are seeking a long-term technology performance guarantee (10-20 years) and one reliable, liable counterparty. However, technology suppliers and/or operators are unable to provide such long-term guarantees – not because of technological risk, but due to the nascency of the market and because many suppliers are SMEs. A public counter-guarantee could back a long-term guarantee from technology suppliers/operators for hydrogen producers, enable the issuance of long-term technology performance guarantees and decrease the cost of capital to receive private finance from lenders.

---

<sup>10</sup> Hydrogen Europe has elaborated on this type of guarantee in a call for evidence on designing effective PPAs for renewable hydrogen, available [here](#).

HYDROGEN EUROPE  
Avenue Marnix 23  
1000, Brussels / Belgium

[secretariat@hydrogeneurope.eu](mailto:secretariat@hydrogeneurope.eu)  
[www.hydrogeneurope.eu](http://www.hydrogeneurope.eu)



Hydrogen  
Europe