

Clean Industrial Deal

1 INTRODUCTION

The European Commission's political guidelines for the years 2024 to 2029 place a clear focus on sustainable development, digital transformation and the transition to a climate-neutral economy. A central element is the promotion of hydrogen as a key technology for Europe's energy future. Consequently, the guidelines emphasise the need to expand production capacities for renewable and low-carbon hydrogen and to promote innovative technologies. This includes investment in research and development as well as the creation of a robust market for hydrogen that integrates both national and European initiatives. Cooperation between the Member States plays an important role in creating this market, especially in the development of a common infrastructure for hydrogen and its derivatives. In addition to cross-border projects, the focus is also on partnerships with industry in order to utilise synergies and strengthen Europe's competitiveness in a global context.

The German National Hydrogen Council therefore welcomes the initiative of the European Commission under Ursula von der Leyen to supplement the 'European Green Deal' with a '**Clean Industrial Deal**'. It is necessary to focus on strengthening the competitiveness of industries undergoing transformation in an environment of ever more intense global competition and an increasingly strategic industrial policy in large industrialised nations. This is the only way to achieve the EU's climate targets while maintaining a strong industrial base, preserving sovereignty and industrial expertise and preventing a loss of prosperity for broad sections of the population.

The German National Hydrogen Council (NWR) also welcomes the fact that a **legal act for accelerated decarbonisation** that will channel investments in infrastructure and energy-intensive industries is to be presented as part of the Clean Industrial Deal, where the core content of this act will promote lead markets for the production and dissemination of clean technologies in industry.

In the view of the National Hydrogen Council, the Clean Industrial Deal should focus on **strengthening the regulatory frameworks for the ramp-up of the hydrogen economy**. Access to renewable and low-carbon hydrogen in sufficient quantities and at affordable prices is a prerequisite for climate-neutral production, in particular, for energy-intensive industries such as chemicals and steel. At the same time, many energy-intensive industries are key anchor customers that play a decisive role in solving the chicken-and-egg problem between hydrogen production, infrastructure and application. The ramp-up of the hydrogen economy will only succeed if extensive investments are also made in climate-neutral and hydrogen-based production processes in industry.

However, **energy-intensive industries** in particular are currently facing **extraordinary challenges** throughout Europe and especially in Germany. Above all, these include high energy and (especially) electricity prices in an international comparison, intense and often unfair international competition, internationally differing carbon and bureaucratic costs and a lack of planning security, as recently highlighted in the Draghi report¹ and in the transformation paths highlighted by Bundesverband der Deutschen Industrie e.V. (the federation of German industries).² At the same time, the hydrogen ramp-up in Germany and the EU has also seriously stalled. Better investment conditions and more planning security should be created very quickly from the supply side to the development of infrastructure and the creation of demand with purchasing power among customers.

2 FIELDS OF ACTION

A Clean Industrial Deal, which should be presented to the new EU Commission within the first 100 days, should primarily address the **following fields of action** in the view of the National Hydrogen Council:

◆ **Rapidly develop a European hydrogen infrastructure:**

A comprehensive import pipeline infrastructure in the EU and neighbouring countries is needed to connect locations with low-cost hydrogen production with industrial offtake centres and industrial anchor customers. When using renewable LNG, existing gas infrastructure can continue to be utilised. In addition, comprehensive reconversion plants, such as ammonia crackers and hydrogen-capable LNG terminals should be jointly constructed; the same holds true for storage infrastructures at the European H2 hubs and European hubs. This is the only way to ensure structured supplies as well as sufficient quantities of hydrogen for those sectors that cannot utilise hydrogen derivatives. A common European market for hydrogen, as proposed in the political guidelines for the next European Commission, can also contribute to a level playing field and competitive hydrogen prices across national borders. With a view to the new infrastructures to be created or converted in the course of the market ramp-up, it is expedient and necessary to create financing models such as the amortisation account in Germany, also for cross-border infrastructures or infrastructures to be built internationally, with which prohibitively high grid usage fees can be avoided in the ramp-up phase through the possibility of stretching refinancing mechanisms over time.

◆ **Improve the regulatory frameworks and adapt it to new realities:**

The criteria for purchasing electricity from green hydrogen are too restrictive for the current phase of the still sluggish market ramp-up, making production more expensive and in turn discouraging investment. The Commission's Delegated Act for the definition of low-carbon hydrogen threatens to do the same. The National Hydrogen Council has already pointed out in previous statements that there is a tension between the very demanding certification criteria for renewable hydrogen and its derivatives (Delegated Acts 1184 and 1185) on the one hand and, on the other, the resulting uncertainties for the market and thus the failure to meet targets (SAF quota, for example) if these regulations were to be adjusted in the light of current practical experience. Part of the Clean Industrial Deal should therefore also be to examine ways of pragmatically adapting these regulations.

¹ European Commission (2024): The future of European competitiveness: A competitiveness strategy for Europe (Draghi report).

² BDI (2024): Transformation paths for Germany as an industrialised country: Key points for a new industrial policy agenda.

At the same time, the NWR welcomes the initiative by the Federal Minister for Economic Affairs and Climate Action to extend the deadline for the definition of green electricity with regard to the criteria of additionality and the temporal correlation between the production and use of renewable electricity. This step can increase flexibility, investment incentives and ultimately supply. A decision must be reached quickly so that investments are not further delayed by the continued, increased planning uncertainty. The German government as a whole should call on the new European Commission to adapt the criteria and coordinate with other member states interested in the hydrogen market ramp-up.

◆ **Strengthen the hydrogen bank and introduce industry segment (baskets):**

The European Hydrogen Bank has not yet been able to fully utilise the potential of its own instruments. On the one hand, the important import pillar of the Hydrogen Bank through which sufficient quantities of hydrogen can be procured outside Europe at competitive prices is missing. In this context, a bundling of national volumes or a coalition of pioneers could be realised within the framework of competitive tenders. Secondly, the Hydrogen Bank does not yet fit seamlessly into the European funding system. A dedicated and sector-specific opening or supplementary tenders for renewable and low-carbon hydrogen and its derivatives should also be created with a view to the rapid and cost-effective supply of industries undergoing transformation. Industrial users must be given the opportunity to combine the purchase of hydrogen via the Hydrogen Bank with the utilisation of national startup financing, provided that double funding can be excluded. Both measures require a significant increase in the funds available.

It is also important to **strengthen the role of midstreamers in the hydrogen market** (such as through hedging instruments), as they have the opportunity to leverage market efficiencies and to hedge and manage risks in the import and distribution of import volumes by forming portfolios.

SUPPORT INVESTMENTS IN TECHNOLOGIES FOR HYDROGEN PRODUCTION AND APPLICATION AND ESTABLISH (LEAD) MARKETS FOR LOW-EMISSION RAW MATERIALS

The **EU aid regulations** should be designed in such a way that the industrial transformation towards climate neutrality is supported and the competitiveness of industry is secured: through improved conditions for competitive energy prices as well as an unbureaucratic funding framework for the transformation. The Temporary Crisis and Transition Framework (TCTF) should also be extended beyond the current three years. The admissibility of subsidies for operating costs, particularly in the areas of hydrogen and electricity, is a key issue here.

Resilience criteria: The EU is in fierce global competition for leadership in the production of clean technologies, including hydrogen technologies, as the Draghi report has shown. The objectives set out in the Net Zero Industry Act (NZIA) must be effectively implemented, in addition to the Clean Industrial Act. Resilience criteria play an important role here. In concrete terms, such criteria have already been effectively implemented in the Terms & Conditions of the 2nd auction round of the European Hydrogen Bank. Comparable measures have been implemented to protect European hydrogen technology providers from unfair competition, for example, in the Delegated Act of the EU NZIA and in the planned measures of the Clean Industrial Act.

Investments in climate-friendly and hydrogen-based production processes must also be shored up by demand-side measures. Emission-reduced products cannot yet compete with grey products due to the temporarily higher costs, particularly at the beginning. For this reason, the National Hydrogen Council welcomes the fact that the Accelerated Decarbonisation Act also provides for the promotion of **lead markets for clean products and technologies**. The aim should be to develop a reliable initial demand for temporarily climate-friendly raw materials until they have fully established themselves on the market.

A core element of a **European lead market strategy** should be a **reorientation of public procurement** in particular, which has considerable leverage to flank the demand for climate-friendly industrial products with a share of around 15 per cent of gross domestic product. The Clean Industrial Deal should therefore present specific guidelines for both public procurement and public procurement law that create opportunities and obligations to use carbon-reduced raw materials in public contracts, auctions and in publicly financed companies despite temporarily higher costs compared to conventionally manufactured products. In addition, criteria should also be formulated to ensure that a reorientation of public procurement towards greater sustainability also strengthens resilience and supports the transformation of EU industry. New hydrogen-based application technologies in particular need a reliable domestic market in order to scale up quickly.

It should be possible to secure these with state guarantees in order to enable **long-term hydrogen procurement contracts** for industry – as provided for in the EU directive on electricity market design – in order to reduce risk premiums and prevent negative effects on companies' credit ratings.

Finally, **internationally competitive electricity prices** are a key prerequisite for the hydrogen ramp-up on the user side. The level of electricity costs, which is far too high, has an overall negative impact on companies' competitiveness and planning prospects and also represents a massive obstacle to investment in hydrogen-based technologies that go hand in hand with the electrification of production processes compared to other countries such as the US or China. Solutions for the rapid expansion of renewable energies, European grid connections and, above all, competitive electricity prices should therefore be a clear focus of a Clean Industrial Deal.

THE GERMAN NATIONAL HYDROGEN COUNCIL

On 10 June 2020, the German Federal Government adopted the National Hydrogen Strategy and appointed the German National Hydrogen Council. The Council consists of 26 high-ranking experts in the fields of economy, science and civil society. These experts are not part of public administration. The members of the National Hydrogen Council are experts in the fields of production, research and innovation, industrial decarbonisation, transportation and buildings/heating, infrastructure, international partnerships as well as climate and sustainability. The National Hydrogen Council is chaired by former Parliamentary State Secretary Katherina Reiche.

The task of the National Hydrogen Council is to advise and support the State Secretary's Committee for Hydrogen with proposals and recommendations for action in the implementation and further development of Germany's National Hydrogen Strategy.

◆ **Contact: info@leitstelle-nws.de, www.wasserstoffrat.de/en**