



# Position Paper on EU Hydrogen & Decarbonisation of Gas Package

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*Nel is a global, dedicated renewable hydrogen technology company, delivering optimal solutions to produce, store and distribute hydrogen from renewable energy. Today, our hydrogen solutions cover the entire value chain from hydrogen production technologies to refuelling stations. As the global leader in the manufacturing of electrolyzers, we strongly believe that our technology is key to unlocking the full potential of renewables & empowering generations with clean energy forever.*

Nel welcomes the European Commission's (EC) proposal to revise and reform gas laws in the European Union (EU) and more specifically: the EU gas directive and EU gas regulation. **The inclusion of hydrogen into this framework marks another important step towards the realisation of the EU Hydrogen Strategy**, which foresees the development and promotion of a pan-European competitive hydrogen market and renewable hydrogen as a globally traded commodity in the long-term. To achieve this, infrastructure is key, as we will need to:

- manufacture more electrolyzers to increase renewable hydrogen capacities;
- make use of the existing EU gas network;
- foresee the development of new dedicated hydrogen infrastructure.

Europe's integrated and interconnected energy infrastructure puts the continent at a competitive advantage vis-à-vis other continents when it comes to hydrogen transport and distribution. In particular, pipelines offer an excellent means to transport large amounts of energy in the form hydrogen at low cost. An extensive gas network is already in place across the EU that can serve the purpose of transporting hydrogen from east to west and north to south, giving access among other to heavy industries, refuelling stations and ports with links to global markets. However, the particularities of hydrogen need to be taken into consideration now. As such, **Europe needs to start putting together the building blocks of a legislative framework for hydrogen networks. This framework must strike the right balance between clear rules and flexibility, ensuring that we allow a vibrant hydrogen market to flourish and develop sufficiently.** Overregulating too soon would be detrimental to the development of a hydrogen market and **a more gradual approach to regulation is the preferred option.** The particularities of hydrogen today are vastly different to the context and environment in which decisions were taken to regulate natural gas networks at EU level.

Nel would like to put an emphasis on the the following topics contained in the EC's proposals:

## Network Planning

The revised proposal for a regulation foresees that national network development plans should be based on joint scenario planning for electricity, gas and hydrogen. This should also be aligned with National Energy and Climate Plans (NECPs), as well as EU-wide Ten-Year Network Development Plans (TYNDP).

- ➔ Hydrogen will become an ever more important component in the energy transition and our energy system. Therefore, it must become a key component of network planning at both national and EU level. **Its inclusion into network planning across the board will facilitate more holistic scenario planning on an infrastructure level. In addition, it will contribute towards member states identification of demand centres for hydrogen and where additional renewable power and infrastructure (including electrolyzers) are needed** to ensure that additional sources of renewable energy are available for renewable hydrogen production.

## Tariff discounts on injection of renewable and low-carbon gas

Gas grid operators are set to receive a 75% discount on tariffs when injecting renewable and low carbon gas into the gas network, according to the EC's proposal. Both low carbon hydrogen and renewable hydrogen are put on the same footing.

- The **proposal is not in line with the EU Hydrogen Strategy which clearly prioritises renewable hydrogen. Renewable hydrogen should receive preferential treatment** and as such, grid operators should receive a higher incentive for injecting renewable hydrogen than low-carbon hydrogen. This will contribute *inter alia* towards bringing down the costs associated with renewable hydrogen production as well as the costs incurred at the consumer level. It also aligns with the EU's policy objectives in terms of avoiding the development of stranded assets.

## Certification of renewable and low carbon h2

Certification of renewable and low carbon hydrogen is proposed but only via a delegated act in 2024. This delegated act is set to determine the LCA methodology for defining the greenhouse gas (GHG) emissions related to production of hydrogen from renewable sources and low carbon hydrogen.

- 2024 comes far too late. **Clarity is needed now.** This process also needs to be aligned with other relevant legislation (e.g., renewable energy directive already contains GHG thresholds and another delegated act is being developed on the same topic) and must be consistent with the EU taxonomy. Certification would also apply to imports. Thus, **it is imperative that the EU work together with other stakeholders on a global level to work towards the development of 'one' common standard on determining an life cycle assessment (LCA) methodology and defining the GHG emissions of hydrogen.** In this way, we will be working towards the development of a global hydrogen market, avoiding market fragmentation.

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