

EU TO HOLD €800M RENEWABLE HYDROGEN AUCTION

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The European Union ("EU") has announced plans for a pilot EU auction which aims to boost renewable hydrogen production in the union. The pilot is part of the EU's broader Hydrogen Strategy – under which green hydrogen has been cited as a key priority for the EU to achieve the European Green Deal and help Europe's clean energy transition.

THE PILOT

The European Commission has announced that, this autumn (2023), it will launch an auction which will support renewable hydrogen production within the EU, in a move which has been compared to the US production tax credit under the Inflation Reduction Act.

The scheme will offer auction winners a fixed premium for every kilogram of renewable hydrogen produced over the next ten years, in a bid to cover the extra cost for consumers in buying renewable hydrogen instead of non-renewable hydrogen or natural gas, which are traditionally cheaper energy sources.

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The scheme will effectively act as a subsidy for producers of renewable hydrogen, the benefits of which should include lower prices for end users and greater innovation in the renewable hydrogen space.

COMMENTARY

In 2019, the International Energy Association produced a report which found that *"clean hydrogen is currently enjoying unprecedented political and business momentum, with the number of policies and projects around the world expanding rapidly"*. This pilot scheme demonstrates the EU's commitment to shifting towards cleaner fuel sources, and the efficacy of hydrogen as a means of achieving decarbonisation in the region. It is also a signal to the market that hydrogen is here to stay, which will hopefully give some certainty to supply chains and investors to further develop the market.

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The success of the scheme is likely to attract interest outside of the hydrogen-production industry, following reports that further similar auction processes will follow. The European Commission has suggested that wind and solar energy are prospective candidates for similar “*competitive bidding mechanisms*” – meaning the success of this scheme could have a far-reaching impact on the energy sector across the EU.

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Expanding the range of renewable energy sources eligible for the scheme would bring the EU further in line with the US production tax credit mechanism, which has been described by the CIO of EDP Renewables as “*one of the most important pieces of industrial legislation since FDR’s New Deal*”¹.

London Trainee Ellen Mackie also contributed to this article.

[1] <https://www.forbes.com/sites/arielcohen/2023/01/20/congress-pushes-us-energy-transition-through-tax-credits—but-will-it-work/?sh=537fde315193>

KEY CONTACTS

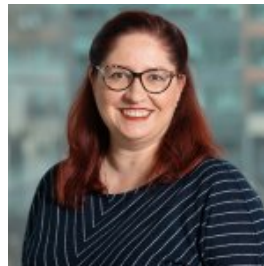


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