

HYDROGEN CLUSTER FINLAND STATEMENT ON EU POLICIES ON HYDROGEN

Hydrogen Cluster Finland welcomes ambitious hydrogen economy goals in Fit for 55 proposal:

targets must be urgently matched with tools for industry to invest

Hydrogen Cluster Finland welcomes EU's Fit for 55 legislative package and specifically applauds the high level of ambition to achieve ambitious climate goals by using hydrogen. Hydrogen is becoming an indispensable element in many sectors to achieve climate targets.

However, to unleash investments and reach emission reductions, Hydrogen Cluster Finland calls for transparent and technology neutral rules. This would ensure long-term regulatory certainty for cluster's 47 member companies and 6 industry associations.

Currently most, if not all, relevant regulation relating to hydrogen is either missing or under review. The Fit for 55 package proposes an excellent opportunity to create long-term regulatory certainty for investments, and to implement sector integration approach, when revising the Renewable Energy Directive II, the Energy Taxation Directive, state aid rules, gas market package, and all related implementing and delegated regulations.

EU's Fit for 55 proposal envisages a central role for hydrogen in many sectors by among others establishing a highly ambitious goal for green hydrogen in transport, and by requiring that half of the hydrogen used in industry must be green hydrogen by 2030. These ambitious goals call for rules that boost investment opportunities in the sector.

Finland's robust and clean electricity system provides a solid basis for clean hydrogen expansion

Finland has several strengths when it comes to developing hydrogen economy. Finnish electricity transmission and distribution networks are very digitalized and reliable, our national energy mix is one of the cleanest ones, amounts of wind power and other renewable electricity are increasing, and there is extensive experience in collaboration across the value chain including sector integration of district heating and industrial waste heat. In addition, Finnish government has committed to carbon neutrality by 2035 which requires rapid action in all sectors of the society.

The development of EU's hydrogen economy is linked with the decarbonisation of the electricity mix in member states. To reach the goals set for clean hydrogen, it is necessary to boost investments in low-carbon energy sources.

Multiple solutions are needed to produce enough clean hydrogen

EU's climate goals and the ambitious role of clean hydrogen can only be secured if the emerging industry is regulated with a technology neutral and market-driven approach. Clean hydrogen

produced both from renewables and low-carbon energy sources as well as with carbon capture utilization and storage (CCUS) should be allowed to contribute to the achievement of the climate targets. Companies investing both in supply and demand sides of hydrogen will require broad set of means to do it in a secure, affordable, and clean way.

While the Renewable Energy Directive II amendment proposal from July 2021 only covers targets for green hydrogen, it is imperative that the role of hydrogen produced from low-carbon sources as well as with CCUS is recognised in a consistent way when the gas decarbonisation package is published by late 2021. Also using grid electricity in producing clean hydrogen should be accepted in the regulation, if the national grid mix is sufficiently decarbonized. Guarantees of Origin for clean hydrogen should be established to provide sufficient information to regulators, industry and consumers on the sustainability credentials of the origin of hydrogen.

Hydrogen Cluster Finland also calls for promptly approving the pending delegated acts for RFNBOs (Renewable Fuels of Non-Biological Origin), to focus on the delegated act for electricity sourcing on the carbon content and not limit the investment opportunity to new-build renewables by creating complex rules on additionality. We see that insisting on additionality would decrease the possibilities of generating enough clean hydrogen to meet the future demand.

Hydrogen backbone creates necessary infrastructure

Gas decarbonisation and hydrogen package will be published later this year. Finland and the Nordics have considerable clean power resources and Continental Europe has major industrial centres and potential large scale hydrogen storage facilities. Sector integration between electricity and gas infrastructure will become an important backbone for Europe's climate performance. Existing methane infrastructure will both accelerate transformation in the short-term and provide important capacity and other services in the longer-term.

Repurposing methane networks can save investment costs considerably. Enabling regulation supported with regulatory oversight will help the current gas industry to transform itself into future hydrogen and clean gases industry.

Overall, this change can increase clean energy production within EU borders. Current version of Energy Efficiency Directive is leaning towards reducing total energy production and consumption. Hydrogen Cluster Finland sees that for future regulation the carbon content of energy should be the primary driver.

In some cases, increase in total energy production and consumption can even mean improved security of supply both commercially and physically.

EU funding boosts investments

Simultaneously with the Fit for 55 proposal, EU member states are providing substantial funding to support the needed investments as part of the European Union Recovery and Resilience Facility. Hydrogen Cluster Finland welcomes the funding opportunities across the EU and stresses that it is essential to agree on the detailed rules and regulations as soon as possible not to slow down investments due to waiting for pending regulation to be completed.

Dialogue and collaboration needed to ensure regulation which enables investments

Hydrogen Cluster Finland looks forward to having an open dialogue with the Finnish government, other EU member states, the Commission, and the European Parliament to create an enabling business environment for clean hydrogen to support our joint climate mitigation efforts.