

Brussels, 19<sup>th</sup> July 2024

To whom it may concern

We welcome the European Commission's intention to quickly adopt the **Delegated Act (DA) on Low Carbon Fuels** required by the Gas and Hydrogen Directive (Article 9). We consider this DA as fundamental for the **ramp-up of the hydrogen economy** which itself is a prerequisite for the EU to become **climate neutral by 2050, an objective we are all committed to**. We are convinced that low carbon hydrogen, next to growing volumes of renewable hydrogen, will play a key role in building up a sizeable and affordable hydrogen market, for the decarbonization of the industry (fuel and feedstock), for seasonal storage needs as well as fuel for dispatchable low carbon power in most Member States of the European Union.

While dedicated EU targets for domestic and imported **renewable hydrogen** for 2030 have been set and a corresponding regulatory framework is in place, the FID share of renewable hydrogen projects remains much too low and high costs of renewable hydrogen are expected to prevail. This development poses an existential threat to EU base material industries like chemicals and steel, which require hydrogen to decarbonize their production processes in light of declining free EUAs. Therefore, **low carbon hydrogen (LCH) will become essential** in securing the time, cost and availability gap in hydrogen supply and thus **regain, safeguard and strengthen the EU's industrial competitiveness**. The latter is among the top priorities on the EU agenda for the upcoming legislative cycle and has been at the core of the Antwerp Declaration, calling for a revitalization of Europe's industrial landscape. Against this background, **the DA is the first opportunity for Europe to pass from words to action** and moving towards a more pragmatic, clear, stable and reliable regulatory framework.

In order to strengthen Europe's **diversity in supply** of energy, **imports** of renewable and likewise low carbon fuels will be indispensable in the long term. **Therefore, Europe needs an enabling policy framework, creating equal and ample opportunities recognising the specific requirements for both renewable and low carbon hydrogen, based on a pragmatic approach which avoids overregulation**. These are important preconditions for a swift uptake of the European hydrogen economy and therefore an important driver for the **urgently needed build-up of hydrogen transport infrastructure**.

We are thus calling on the Commission to consider the following points in the DA:

- **Take into account the lessons learned from both RFNBO delegated acts ((EU) 2023/1184 & (EU) 2023/1185 set as part of RED II implementation)**, which should be **reviewed as soon as possible** and way earlier than 2028 in order to **alleviate barriers for the RFNBO uptake**. Amongst other factors, the very strict criteria set out in the DA EU 2023/1184 for producing renewable hydrogen after the transition phase (i.e. hourly temporal correlation after 2030) are considered to cause serious hurdles for project FID. The IEA estimates that in 2030 renewable hydrogen can only be produced from the grid (average grid mix) in 10 Member States, while the challenges and prices for renewable hydrogen will remain high in the other countries until at least 2040.

- It is important to **treat low carbon hydrogen solely by its life cycle GHG footprint** by accounting for upstream emissions and the sourcing of electricity throughout the value chain, whatever the underlying technology. This should be implemented without hindering low carbon hydrogen development via overly complicated and unachievable criteria.
- Contrary to the DA (EU) 2023/1185, which only allows for default values, also **project-specific/company-specific values need to be accepted** to demonstrate better performance (e.g. through virtual gas supply agreements). Existing auditing and certification bodies should be enabled to testify project-specific/company-specific upstream emission values in order to allow producers to speed up the production of low-carbon hydrogen. In case project-specific/company-specific measurements cannot be provided, **default values for upstream emissions for natural gas procurement should be provided, which are potentially differentiated per country of origin**. For the methane emissions calculations, the DA should be **consistent with the Methane Emissions Reduction Regulation** and introduce realistic default values for the transition period until the Methane Regulation's methodology comes into effect.
- For **electricity procurement** along the low carbon value chain and particularly the electricity usage for processes not adding to the energy content of the hydrogen (CCS, synthesis and cracking, transport, conditioning and liquefaction) it **should be possible to also use non-RFNBO compliant renewable electricity as well as other forms of low-carbon electricity via PPAs to lower the carbon footprint**, as is the case for ancillary services in electricity as well as for all other industries except hydrogen as regulated by the EU. In this regard it should also be possible to use project specific electricity CO<sub>2</sub> values that might contain a combination from grid-mix electricity as well as partial PPAs (**project-specific average electricity CO<sub>2</sub> footprints for low carbon H<sub>2</sub> projects**). Expanding the range of acceptable electricity sourcing options for low carbon fuel production will enhance flexibility for producers and subsequently increase the production of low-carbon fuels in the EU as well as the import of such fuels into the region. This, in turn, will facilitate the accelerated decarbonization of the industry through the use of low-carbon fuels.
- **The DA should be technologically inclusive, leaving room for all the technologies** that can comply with the 70% GHG emissions reduction threshold and avoid discriminations between different technologies - in particular, if relevant legislation is currently underway to ensure reliability as it is the case for CCS (CRCF) - used to produce low carbon hydrogen (e.g. electrolysis from nuclear, steam methane reforming from natural gas with CCS, methane pyrolysis). Any dogmatic debate about the pros and cons of different low-carbon technologies will only hinder the swift adoption of this much-needed DA and thus delay the rapid deployment of low carbon hydrogen. **Also, any small-scale requirements having a volume-reducing effect will counteract the EU's competitiveness and climate ambitions**, with additional negative effects on industry's competitiveness and trade relationships.

Lastly, we believe that the implementation of the RED III targets for Member States to ensure high shares of RFNBO usage by the industry, as set out by the RED III Art. 22a, should be

pragmatic and complemented by supporting mechanisms to avoid jeopardizing the EU industry's competitiveness resulting in delocalization.

We hope that you will consider our proposals and stand at your disposal should you wish to continue the discussion.

Kind regards (the signatory companies in alphabetical order)

