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## European Hydrogen Bank: Key Aspects for Producers of Green Hydrogen

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On March 16, 2023, the European Commission set out new plans to promote investment in sustainable hydrogen production through the creation of the [European Hydrogen Bank](#) (the “EHB”). The EU has set targets of 10 million tonnes of domestic renewable hydrogen production and 10 million tonnes of renewable hydrogen imports by 2030 under the [European Hydrogen Strategy](#) and the [REPowerEU Plan](#). The proposed EHB is the latest in a series of initiatives announced by the EU to achieve this target. The EHB, through two new proposed financing mechanisms, will specifically aim to address the initial financial challenges facing the green hydrogen production sector by reducing the cost gap in production of green vs. grey hydrogen to a level that private offtakers are willing and able to cover.

While the Commission will continue consultations to refine the design, activities and institutional set-up of the EHB, it intends that key aspects of the EHB’s operations, discussed below, will commence by the end of this year.

### Key Aspects

Producers, project investors, lenders and offtakers of renewable hydrogen within or into the EU will be interested in the following key aspects of proposed EHB operations:

- **EU producers will be able to participate in fixed premium auctions to support production starting autumn 2023.** These auctions will award a subsidy to hydrogen producers, to be paid by the EHB, in the form of a fixed premium per kg of hydrogen produced for a maximum of 10 years of operation. The auction design for the 2023 pilot iteration is currently being developed and a final workshop on the terms and conditions of the full design will be held in May 2023. The indicative budget for the first auction in autumn 2023 is €800 million. Unlike the Clean Hydrogen Production Tax Credit available under the Inflation Reduction Act in the U.S., which adjusts the quantum of the tax credit based on the lifecycle greenhouse gas emissions of the project,<sup>1</sup> the EHB subsidy is expected to be a fixed premium (provided the hydrogen qualifies as renewable, *see below*).
- **Requirement to produce ‘renewable’ hydrogen.** Access to the financial schemes offered by the EHB will only be available to projects producing ‘renewable’ hydrogen compliant with the final versions of the Delegated Acts of the Renewable Energy Directive.<sup>2</sup> These set out the requirements for ‘renewable’ hydrogen production including, among other things, additionality, temporal

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correlation and geographical correlation. For more information on key considerations for producers under the Delegated Acts, see [S&C Energy Transition Insights on Exporting Green Hydrogen to the EU](#).

- **EHB as a single auction platform across Member States.** In order to prevent fragmentation during the early stages of hydrogen market formation in Europe resulting from differing support schemes across Member States, the Commission has proposed to use the EHB to offer a single EU-wide auction platform. Under this approach, projects would be ranked at the EU level and the best bids (irrespective of home Member State) will be awarded subsidies until the budget available to the EHB is exhausted. After this, Member States can use the same ranking system to provide their own support for domestic projects, subject to EU State Aid rules.
- **Non-EU producers may also be able to participate in separate schemes, mirroring the auction-based subsidies available to EU producers.** The Commission is currently assessing the feasibility of creating a similar fixed premium auction system for which third-country exporters to the EU or EU off-takers contracting with third country producers can apply.
- **EHB to centralise EU-supported project funding.** Currently, there are several different funding programmes available at the EU level; for example, direct project support through the [Europe ETS Innovation Fund](#), support for [Hydrogen Valleys through Horizon Europe](#) and the [Connecting Europe Facility](#). The Commission proposes that the EHB will streamline the support these instruments provide, although details on how this will be done are to be determined.
- **EHB to perform a coordination and transparency function.** The Commission intends for the EHB to support coordination of both Member State and company level Memoranda of Understanding with third countries and foreign hydrogen producers. The aim is for this coordination and centralisation to allow the EHB to gain visibility on where and when hydrogen infrastructure will be necessary. Again, details on how this will be achieved are to be determined.

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### ENDNOTES

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<sup>1</sup> IRC § 45V.

<sup>2</sup> Commission Delegated Regulation supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin and Commission Delegated Regulation supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a minimum threshold for greenhouse gas emissions savings of recycled carbon fuels.

Questions regarding the matters discussed in this publication may be directed to [Olivier de Vilmorin](#), [Craig Jones](#), [Jon Hannah](#) or [Sam Saunders](#), or to any Sullivan & Cromwell LLP lawyer with whom you have consulted in the past on similar matters. Additional S&C resources about energy transition matters may be found [here](#).

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