

Monday, 1 July 2024

President Von der Leyen

cc. Executive Vice President Sefcovic, Executive Vice-President Vestager, Commissioner Breton, Commissioner Simson, Commissioner Hoekstra

Subject: Make "Made in Europe" a Reality for the Electrolyser Industry

In your role as European Commission President during the 2019-24 mandate you brought about the birth of the European Green Deal, Europe's "man on the moon" moment. After five years of rigorous debates and interinstitutional negotiations, there is no doubting Europe's ambition or your commitment when it comes to driving global climate leadership. The new political cycle of the European Institutions brings with it both new and old challenges that must be tackled with speed and decisiveness in an increasingly fraught and unpredictable geostrategic landscape.

Europe is engaged in a fierce global competition for leadership in clean tech manufacturing. Having reached €184bn in 2023 already, the global clean tech market is expected to triple by the end of this decade. If Europe is to remain a credible leader in the combat against climate change, now more than ever, **Europe's Green Deal must be upheld and complemented by a strong, effective and robust Industrial Plan. To meet the objectives outlined in the Net Zero Industry Act, we need strong policies that emphasise the creation of quality jobs in Europe with support for manufacturing "Made in Europe" at its heart.**

Europe has invested significant political and financial capital in promoting renewable hydrogen as a key lever of the Green Deal. Besides the RePower EU Communication's ambition to produce 10 million metric tonnes of renewable hydrogen in the EU by 2030, EU legislation has set binding targets for 2030 for the consumption of renewable hydrogen across different sectors. Overall, **the realisation of these targets would require an installed electrolyser capacity of 90-100GW, meaning a 10-fold increase in current European electrolyser manufacturing capacity.**

To date, the EU has provided approximately €4bn in subsidies via the Clean H2 Partnership to create important pilot projects for green hydrogen and its derivatives in Europe. This early commitment helped bring about leaders in electrolysis technologies. **Today, two thirds of globally leading manufacturers are based in Europe but Europe's share in global manufacturing capacity is increasingly dwarfed by China which accounts for 40%, up from 10% in 2023.**

**Our challenge is to ensure that European electrolyser manufacturing remains in Europe**, driving decarbonization, boosting Europe's strategic autonomy and bringing value to the European economy. **Once a technology or its supply chain is lost, it is impossible to bring it back.** As several hundred cleantech experts recently confirmed during a CINEA Conference on "Driving Sustainable Innovation", **Electrolyser manufacturing holds the biggest potential of all clean technologies for Europe's industrial base.**

**But European leadership is under acute threat** as other regions have identified the electrolysis industry as part of a wider green industrial policy. This is both reflected in e.g., China's 14th Five-Year Plan and Made in China 2025 Strategy, India's National Green Hydrogen Mission and in the U.S. Inflation Reduction Act (IRA). China alone is looking to install more electrolysers than the rest of the world combined by the end of this year, with around 2.5 gigawatts in capacity. On the demand side, the largest state-owned hydrogen producer is investing about \$4.6 billion in hydrogen over the next five years, by far surpassing the entire budget currently allocated to the EU Hydrogen Bank.

Green hydrogen projects in China are generally carried out by state-owned entities allowing Chinese companies to go through extended periods of operational loss and supporting capacity expansions via

zero interest government loans. **This skewed playing-field creates unfair competition and puts European electrolyser manufacturers at a significant disadvantage.**

**To us it is clear: Europe cannot afford to replace one dependency (energy imports) with another (imported technology).**

**The threat is real:** the results of the EU hydrogen bank pilot auction reveal that less than half of the awarded projects plan to rely on European technology. By the time grant agreements are signed this number could be even lower. Considering the early phase of development of the hydrogen market, these numbers are a drastic warning signal. **The threat of repeating the solar PV tragedy, where a thriving industry that supported tens of thousands of jobs was entirely lost in the course of little over two decades, could be repeated, potentially in an even shorter timeframe. The next 2-3 years are critical.**

Considering this threat, it is of utmost importance for the EU to **implement strong resilience measures**, aimed at swiftly addressing the current market distortion caused by unsustainable state-backed price-pressure. While **we urge the EU to consider all the levers of action available, the introduction of tough resilience criteria through the EU Hydrogen Bank would be a decisive step in the right direction.**

With the EU Hydrogen Bank, Europe has an EU-wide funding mechanism in place which can support the green hydrogen market uptake via several billion EUR over the coming years. **We believe that this funding mechanism and EU money paid by European taxpayers' must promote and support a resilient European electrolyser industry, benefitting European citizens with quality jobs.** As such we welcome the Commission's proposals to consider the introduction of non-price criteria in the 2<sup>nd</sup> auction of the Hydrogen Bank but **the current proposals on the table are not fit for purpose and fall short.**

The broader hydrogen industry submitted proposals to the European Commission on the draft terms and conditions of the 2<sup>nd</sup> auction of the hydrogen bank to ringfence certain critical parts of the production process of electrolyser stacks (see annexed proposal). **This approach is not aimed at limiting competition nor at creating serious distortions to international trade. On the contrary, the proposal clearly reflects a willingness to maintain a level playing field allowing non-European companies sufficient time to initiate critical production steps in Europe. Moreover, the industry calls for temporary application of the measures until the market has reached a critical size.**

**Madame President, we call on you to implement the proposals made in the next round of the Hydrogen Bank. The rules of the EU Hydrogen Bank for the 2<sup>nd</sup> auction round provide a leading example! The time has come for a shift in European trade, competition and industrial policy. The EU needs to be bold and swift in implementing an industrial policy that is robust and resilient and supports the "Deal" in Green Deal. We strongly believe that Europe's nascent renewable hydrogen sector and the electrolyser industry specifically must serve as the starting point for such an approach. It is now or never.**

Signatories:

(Company logos overleaf)

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