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BSP opinion on the 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

Business and Science Poland appreciates the opportunity to comment on the proposed Delegated Regulation establishing a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin. We welcome some of the solutions proposed by the European Commission. However, we would like to emphasize that some of the proposed concepts may have the opposite effect than planned and slow down the development of hydrogen projects, especially in the early stage of development of this market. The criteria of additionality, temporal or geographical correlation as well as excluding the possibility of using public aid in their present shape may constitute a serious obstacle to the implementation of hydrogen projects in industry and transport.

Temporal correlation

The time correlation requirements should reflect the available renewable electricity supply in practice, the storage capacity and the technical ability to demonstrate compliance with the adopted requirements and should lead to the most effective results in terms of the ambition levels adopted within the European Union.

We believe that a permanent correlation of at least one month or quarterly basis between the production of renewable hydrogen and the production and supply of renewable energy based on PPA should be introduced permanently, not only during the transition period, or be completely eliminated. A monthly temporal correlation only in the transitional phase may not have the desired impact as a project design, even if it starts earlier, will have to be designed with an hourly fit, and this criteria has a large impact on the design sizing and hydrogen cost. In our opinion, monthly or the quarterly/semi-annual correlation better ensures the development of RES for the purposes of electrolysis.

The hourly time correlation is difficult to accept also because of the discrepancy between the constant electricity demand of the large scale electrolyser and the unstable nature of RES. Consequently, only a fraction of the electricity produced each hour would be consumed by the electrolyser. In the case of solar farms it is less than 40%, in the case of hybrid farms - 65%.

Extending the time correlation or its complete elimination will cause that the produced renewable electricity will be much more absorbed by the electrolyser. In the case of the most efficient hybrid system (a combination of offshore wind farms and photovoltaic farms), extending the correlation period from an hour to a month will increase the energy consumption

from renewable sources by the electrolyser to 94%. In the case of semi-annual correlation, this ratio is 99.5%.

Criteria for additionality

Additionality is a key requirement for renewable electricity to be used by electrolysers to produce hydrogen from renewable sources. As opposed to the production of hydrogen, the production of electricity from renewable sources is subject to considerable fluctuations and not necessarily within or close range to industrial plants, and is subject to longer and more complex permitting procedures.

In our opinion, the excessive criteria for additionality and the lack of financial support for RES installations may discourage investments in the production of RFNBO and threaten the fulfillment of the EU's ambitions in this regard. The ability to meet the requirements is significantly influenced by the current level of RES development in individual European Union countries. That is why the possibility of using renewable energy from current sources is so important at the moment.

Moreover, maintaining the additionality criteria may also lead to negative behaviors from the point of view of the energy market, in the form of artificially inflating prices by producers with generating installations and meeting the additionality requirement due to the limited supply side and the possibility of imposing a margin significantly exceeding the prices on the wholesale market. This effect could be further escalated by keeping in place the geographical correlation limited to one bidding zone.

In our opinion, the additionality criteria, on the one hand, it treats less favourable green hydrogen producers than other RES users, and on the other hand, it discriminates against producers of RES already installed (which cannot be connected to an electrolyser) as opposed to new RES producers (who can). The additionality criteria is therefore a significant limitation in the development of green hydrogen and is essentially contrary to the objectives of the revision of the RED Directive, which - by introducing the target of using RFNBO - aim at increasing the availability of renewable energy.

Therefore, if it is not possible to remove the additionality criteria completely, we would like to propose an extension of the deadline for meeting the additionality criteria to 72 months. Due to the pace of development of renewable energy in Poland and in whole EU, a large supply of new sources will appear from 2030, and therefore it is necessary to extend this deadline to be able to use also previously built RES installations.

We would also like to propose to consideration the possibility of balance of the existing and additional renewable energy sources in the coming years, so that it is possible to use the electricity currently generated from renewable sources in exchange for a commitment to "return" this energy into the grid in the case of creating renewable energy sources for hydrogen projects.

Achieving the expected level of RFNBO production requires the rapid development of the hydrogen market, also thanks to favorable and flexible regulatory solutions that will not impose

unjustified and excessive administrative burdens on producers. Therefore grandfathering clause (article 8) should be extended up to 2030. Furthermore it should also include temporal and geographical correlation and be extended for new electrolysis capacities added as part of the expansion of installations compliant with art. 8 of DA - notwithstanding of the moment of adding new capacities, at least in terms of added capacities until 2035.

Financial support for RES

We propose to remove from the Delegated Regulation the requirement of no operational / investment support for RES installations with which PPA agreements have been concluded. If this requirement is maintained, hydrogen producers will have access to a much smaller number of RES installations, and therefore electricity will also be more expensive. The scale of investment challenges on the part of industrial operators (e.g. specific capacities of electrolysers required to build and integrate with existing industrial, refining, petrochemical installations) certainly limits the possibility of only own investments in renewable energy sources, which may affect the achievement of the goals set by the Fit for 55 package and REPowerEU strategies. If it is not possible to completely abandon the requirement of no financial support for RES installations, it seems necessary to extend the transition period until 2030 for the requirements described in Art. 4. 2 (a) and 4. 2 (b).

In addition, it seems reasonable to specify the requirements that must be met by electrolysers in order to be qualified as research, test or demonstration devices in terms of the maximum installed power or in terms of the intended use of the produced hydrogen.

Geographic correlation

The state of development of RES, as well as the possibilities of generating electricity from renewable sources, are unevenly distributed on the territory of the Member States in the European Union. Allowing access to renewable electricity in various countries and market areas, and with the use of various instruments, is an important factor for the rapid development of RFNBO production, especially for industrial applications. The criteria of geographical correlation is also a restriction of the free flow of electricity within the EU common market and constitutes unjustified discrimination, on the one hand, of renewable energy consumers in countries with poorer conditions for its production, and, on the other hand, restriction of access to consumers, which affects the interests of RES producers. Therefore, we propose in Art. 4, 2(d) to extend the geographical scope to the entire European Union.

Technological criteria

The Delegated Regulation seems to limit the possibility of producing renewable non-biological fuel (FRNBO) solely for the process of electrolysis powered by electricity from renewable sources. In opinion other technological solutions should also be allowed in order to achieve the goal of the hydrogen production, such as electrolysis powered by nuclear energy. As indicated, among others, by report of the United Nation Economic Commission for Europe , the production of electricity in nuclear energy technologies is one of the forms of generation with the lowest emissions in the entire life cycle of the technology, hence this technology is part of

the plans to decarbonize the hydrogen production process and should be an alternative to renewable energy sources.

About BSP

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