



– Consultation response –

Europex Feedback on the Preparation of the EU Hydrogen Strategy

Brussels, 8 June 2020 | Europex welcomes the Commission’s initiative to develop a dedicated EU Hydrogen Strategy. We are convinced that traded markets can and will act as enablers for a future usage of hydrogen on a broader scale, including in those sectors where it still has very limited penetration such as transport, buildings and power generation. Given the importance and complexity of the topic, there should be strong stakeholder involvement in both the development and implementation of the EU Hydrogen Strategy. It is key that the integration of hydrogen into the Internal Energy Market is considered from the beginning and that key principles such as fair competition, competitive and efficient cross-border trading, non-discriminatory access to infrastructure as well as unbundling are taken into account when considering the next steps in this long-term endeavour.

While the decarbonisation of the gas sector will require additions and changes to the existing legislation, we do not believe that there should be a parallel hydrogen only regulatory framework. Regulation should focus on creating a level playing field for competing technologies and should enable well-functioning energy markets to have strong price signals to drive decarbonisation at least cost.

Traded markets as enablers of a European hydrogen economy

With this in mind, we are convinced that traded markets can enable the widespread scale up of a European hydrogen economy by connecting diverse actors from different sectors.

Energy markets will play a pivotal role within an increasingly integrated energy system, with price signals providing incentives to further connect sectors. Already today, energy traders are active on the different trading platforms operated by Europex members, representing diverse business interests that are interlinked through a non-discriminatory market framework. Arbitrage between different energy types and carriers allows markets to overcome isolated solutions.

In the future, connected energy markets can contribute to enabling the production of (green) hydrogen on the basis of market price signals. With undistorted power prices and market-based emission prices, consumers can benefit from the coordinated production and usage of (green)

hydrogen and its use in transport, heating, industry and other sectors. As an example, low or negative power prices caused by the availability of renewable energy incentivise increased hydrogen production through electrolysis. The full integration of RES into the electricity market with direct market-price exposure would allow for conversion assets to take better advantage of power price developments and contribute to the economically viable production of green hydrogen. Robust carbon pricing from the EU ETS will help to reflect the competitiveness of (green) hydrogen against other alternatives.

Scaling up markets for clean hydrogen is a huge task requiring significant investments in production capacity, transport infrastructure, as well as efforts to stimulate demand. We believe the following elements should be reflected in the EU hydrogen strategy, to ensure that well-designed, efficient markets are in place to support these efforts.

Transport of hydrogen and infrastructure use and access: As the production of hydrogen in larger volumes becomes economically viable, the use of hydrogen should be supported and enhanced by the well-developed existing gas transport infrastructure in Europe (either by blending hydrogen with natural gas or repurposing infrastructure for hydrogen use). Using the existing grid to the extent possible will help to pave the way for a more rapid ramp up of EU hydrogen production and usage.

Market-driven development of conversion assets (e.g. P2G) should be prioritised: This will offer the most efficient way to allocate resources and determine where installations should be best located and when they should be operated. A role for TSOs and DSOs will be required to coordinate certain aspects, but direct involvement by network operators in P2X should be excluded, respecting the principles of unbundling.

Regulatory sandboxes should have clear objectives, high transparency and be subject to clear conditions (e.g. time-limited, phased out when the market is assessed as viable). Considerations for the inclusion of a project in a sandbox should include its contribution to the objectives of energy policy. As a general principle, regulatory sandboxes should have oversight at EU level to ensure projects are not replicated, to encourage knowledge and best practice sharing between Member States and to establish clear conditions and guidelines.

The role of certificates / Guarantees of Origin (GOs): While hydrogen will be traded as a commodity based on its energy value, its 'climate' value should be reflected in tradable certificates such as Guarantees of Origin (GOs). GOs are valuable tools to generate transparency and trust among consumers and they constitute an additional source of revenue for producers. GOs for hydrogen shall complement wholesale gas markets. Harmonised European standards, including rules for issuing and cancellation (with mutual acceptance) are necessary for the development of liquid certificate markets. In addition, certificates need to be internationally transferrable. The price associated with hydrogen GOs has the potential to provide producers with additional income streams and further means to finance investments. Beyond Europe, global trade of hydrogen and GOs could also have an important role to play, as long as it is underpinned by common standards.

About

Europex is a not-for-profit association of European energy exchanges with 29 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

Contact

Europex – Association of European Energy Exchanges

Address: Rue Archimède 44, 1000 Brussels, Belgium

Phone: +32 2 512 34 10

Website: www.europex.org

Email: secretariat@europex.org

Twitter: @Europex_energy