

GH2 comments on the draft new EU State Aid Framework to support the Clean Industrial Deal

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The Green Hydrogen Organisation (GH2) welcomes the opportunity to respond to the public consultation on the Clean Industrial Deal State Aid Framework.

GH2 is concerned that the draft State Aid Framework if not improved will undermine Europe's acknowledgment in 2021 that renewable hydrogen is a strategic priority and the aim of producing 10 million tonnes of renewable hydrogen included in REPowerEU.

This proposed framework for government support risks undermining European growth and climate neutrality.

GH2 acknowledges intention to mobilise all tools available to achieve industrial decarbonisation. This must not compromise the broader imperative: achieving climate neutrality, which is only possible by ending reliance on fossil fuels. Therefore, yet to be defined low-carbon hydrogen that perpetuates fossil-based energy consumption when alternatives are available should remain incompatible with the objective of climate neutrality. Only green hydrogen (RFNBO) offers a zero-emission solution.

GH2's recommendations below aim to guarantee consistency between the Union's climate neutrality objective and the rules for state aid intended to support the deployment of decarbonisation technologies.

Presumptions of incentive effect, necessity, appropriateness, and proportionality cannot be equally applied to low-carbon hydrogen for at least the following reasons:

- Incentive effect: continued support for fossil-derived hydrogen does not sufficiently advance decarbonisation and risks enhancing fossil fuel dependency.
- Necessity: the market already supports fossil-based investments without the need for State aid.
- Appropriateness: existing fossil fuel infrastructure reduces the relevance of additional incentives.
- Proportionality: fossil-based hydrogen projects are viable without aid and may undermine the development of green alternatives.

Recommendations


1. The European Union should clearly **distinguish between the application of state aid simplified rules for green hydrogen and low-carbon hydrogen**, based on their respective contributions to achieving climate neutrality. Green hydrogen and low-carbon hydrogen, inherently different, should not be subject to the same state aid or financing rules. Any similar treatment of green and low-carbon hydrogen would constitute direct

discrimination and will distort the Internal Market through unfair treatment.

2. The EU should limit the ability of Member States to develop state aid schemes for yet undefined low-carbon hydrogen by **setting a cap** on the total funding amount and linking any support to clearly defined sectors of application. Financial support for low-carbon hydrogen extending the fossil fuel economy should be regulated separately and not constitute yet another advantage to fossil fuels.
3. The Commission should **evaluate** the risks of increased state aid for yet to be defined low-carbon hydrogen leading to continued reliance on and entrenchment of fossil fuels. While carbon capture technologies may show potential, their full effectiveness in achieving emissions reductions is yet to be substantiated. The risks entailed, should not be carried by the European tax payer at the expense of European societies and global climate. These technologies reduce emissions, they do not eliminate them and should not be similarly treated as with climate-neutral solutions. The role of low-carbon hydrogen in achieving climate neutrality should be thoroughly documented.
4. **The Commission should safeguard** the competitive position of green hydrogen, avoiding any frameworks that place it at a disadvantage compared to low-carbon hydrogen. Prioritising green hydrogen is the only way to guarantee that the new rules on state aid are consistent with the Union's climate neutrality objective for 2050.

The Green Hydrogen Organisation, GH2, is a not for profit foundation dedicated to the responsible accelerated production and use of green hydrogen and its derivatives. It works closely with companies behind some of the world's largest renewable energy and green hydrogen projects, including Adani, CWP, Fortescue, ReNew and TES, and a wide group of civil society organisations. GH2 is a co-founder of the Global Renewables Alliance, headquartered in Brussels.

Sincerely,



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