

Til Nærings- og fiskeridepartementet

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Input to the Net Zero Industry Act from NHF

With reference to the public consultation and the Meeting May 12th, NHF hereby sends our initial input to the Net Zero Industry Act. We highly appreciate the opportunity to comment on the proposal on behalf of the Norwegian Hydrogen and Ammonia Industry.

Article 1, point 2 (a) – Subject matter

The Net Zero Industry Act is a necessary measure to support the EU's production capacity of zero emission technologies with strategic importance to the green transition. With this regulation, the EU confirms that Europe shall take a leading role on hydrogen and secure that hydrogen production and hydrogen technology manufacturing shall take place in Europe. The Norwegian Hydrogen Forum's (NHF) position is that the proposal is a good response to the USA's Inflation Reduction Act (IRA) and similar support schemes in other countries in Asia, such as China.

Preamble 5 and Article 15, point 2, letter (b)

Preamble 5 puts the Regulation into the framework of REPowerEU, in which the Hydrogen Bank is a key measure to realize the targets of 10 million tons hydrogen production and 10 million tons hydrogen imports annually by 2030. Currently, the EU has too many different funding mechanisms, which can create confusion for investors and project promoters. For the sake of simplicity and transparency, a one-stop shop for alle renewable hydrogen project promoters seeking EU funding is imperative.

With a view to the upcoming review of the EU budget, all funding related to the production and supply of renewable hydrogen should be streamlined and reallocated to the European Hydrogen Bank. Large scale calls of the ETS Innovation Fund should henceforth focus on supporting the development of a European supply chain and the upscaling of clean tech manufacturing with a specific budget line for electrolyser and fuel cell manufacturing.

A European Hydrogen Bank backed with real financial muscle will help the EU meet its renewable hydrogen targets and ensure Europe remains competitive globally and at the forefront of renewable hydrogen related developments.

A strong financial commitment from EU member states to the European Hydrogen Bank will create a level playing field across Europe. The European Hydrogen Bank will ensure a fair geographic distribution of projects across the EU. The current funding framework favours member states with the biggest budgets. As such, state aid support for renewable hydrogen projects is currently limited to a handful of member states.

Pooling national money from ETS revenues/allowances into one mechanism with one set of rules and criteria will create more transparency and clarity for businesses. Today, access to finance comes with varying rules and conditions from one member state to another. A European approach which will make the same rules applicable to all, across the board, is needed.

Preamble 20

NHF agrees that the supply of clean energy is a prerequisite for economic development. The close proximity of manufacturing capacities and project promoters to a local European supply chain and so-called centres of excellence is key to ensuring not only job creation but also the highest level of innovation, sustainability, quality, reliability and efficiency of products. It ensures a rapid response in cases where safety and technical issues require attention from highly skilled workers familiar with the technology. Moreover, in cases where products need to be replaced or undergo maintenance, highly skilled workers will have both the knowledge of the project specifics and access to the relevant parts of the supply chain.

Preamble 41

NHF welcomes that the EU encourages member states to introduce financial support schemes and reduce investment risk. Our members consider Contracts for Difference (CfD) to be vitally important in reducing risk for actors who choose zero emission solutions, ensuring that they are not outcompeted by actors using fossil fuels or fossil input factors. The cost gap between renewable and fossil fuels is still significant, and investment support alone will not cover additional costs and the inflation we are currently experiencing. The EU will announce its first auction this autumn, offering a fixed premium for renewable hydrogen production. We in the NHF have proposed a model that we believe will ensure a swift introduction of CfDs in Norway, and we will share our proposal with the Ministry of Trade in short time.

The Temporary Crisis and Transition Framework (TCTF), adopted on March 9th 2023, is further mentioned in the same preamble. In this regard, it is very important that the temporary exception from the state aid rules, valid until 2025, is utilized by Norwegian authorities. We currently see examples of EU member states utilizing this opportunity to strengthen their hydrogen industry. Among others, an Italian support scheme¹ was notified by the EU on April 3rd, allocating 450 million

¹ https://ec.europa.eu/commission/presscorner/detail/es/ip_23_2044

euros in support of renewable hydrogen production. On April 19th, Danish authorities announced a support scheme² for renewable hydrogen production and the European Commission has notified the total amount of 170 mill euro.

Preamble 60

To minimise supply chain disruptions and avoid creating new dependencies, European policy should support and reward companies that show commitment to European standards and the promotion of a European hydrogen value chain. In public tenders, the EU should where this is possible consider awarding extra points to bidders that incorporate an EU supply chain. A level playing field is needed with respect to ESG, compliance and reporting obligations. All potential exporters to Europe should be held to the same standards as European companies in this regard. Further, all projects must respect and align with International Labour Organization standards and the European Convention on Human Rights.

Article 3, point 1, letter a) Definitions

NHF welcomes that electrolyzers and fuel cells for the production and use of hydrogen have been defined as strategic zero emission technologies. The EU has set a target to produce 10 million tons of renewable hydrogen by 2030. To reach this target, electrolyzer manufacturing capacity must increase nearly hundredfold from 1,75 GW in 2021³ to 100 GW in 2030. With the world's largest electrolyser producer, Nel Hydrogen, and other companies such as HydrogenPro and Hystar, Norway is particularly well-positioned to contribute to a large share of this increase. Further, there are currently several plans to scale fuel cell manufacturing in Norway. For example, TECO 2030 is building up Europe's first Giga production facility of hydrogen PEM fuel cell stacks and modules in Narvik and targets 1,6 GW output capacity in 2030. On May 15th, they produced their first stack. These and other companies could sharply increase and multiply their manufacturing capacities in Norway, but to do so, financial support schemes must be matched with the EU and the USA to ensure a level playing field.

However, certain key hydrogen technologies central to developing a coherent hydrogen value chain and to the achievement of the EU policy targets are not directly mentioned in the list of Net Zero industry technologies. Both hydrogen compressors, storage tanks and hydrogen refuelling stations will be crucial for the whole hydrogen ecosystem and should therefore be added to the annex. Norway already has leading technology competence in these fields and has substantial sub-suppliers in the oil and gas industry, which could use this competence to develop renewable and low-carbon equipment and appliances for this segment.

² https://ens.dk/sites/ens.dk/files/ptx/udkast_udbudsbetingelser_ptx_dansk.pdf

³ https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2829

Article 4.1 – Streamlining administrative and permit-granting processes

NHF supports the designation of a national authority that will have the coordinating responsibility to facilitate and coordinate the permit-granting process. Our members are very clear that there is a need for better coordination, as several authorities currently are involved today. It is equally important to ensure good cooperation and coordination between the authorities and support agencies.

Article 6 – Duration of the permit-granting process

NHF supports that deadlines are introduced to ensure faster permit-granting process. There are several examples of projects that have been denied access to the electricity grid. The duration of the permit-granting process is also very long. A recent example is a company in Agder, which has waited eight months only to be assigned a case manager. This delay could affect employment as well as the reduction of greenhouse gas emissions.

Article 8 – Planning

Better zoning, spatial planning and land use plans are needed, and NHF therefore welcomes the proposal that national, regional and local authorities shall, where appropriate, include provisions for the development of net-zero technology manufacturing projects, including net-zero strategic projects. The Norwegian municipalities have regulation authority for spatial and land use plans and have an important task when it comes to facilitating the development of production facilities and infrastructure for hydrogen.

Our members express concern that permit-granting processes include comprehensive mapping and must go through several authorities for approval. This is both delaying and expensive, and a challenge when it comes to the production of hydrogen, hydrogen technology and the establishment of hydrogen fuelling stations. It is therefore very important that municipalities, county municipalities, county governors and others improve their competence and understanding of what production and use of hydrogen means in practice, as well as how important such projects are to reach the climate goals.

Article 10, point 4 – Selection criteria

The consequence of this criterion for Norway depends on the share of funding that Norwegian companies receive through the ETS Innovation Fund, IPCEI, European Hydrogen Valleys or the Hydrogen Bank. Norway currently has three hydrogen valleys⁴ and two IPCEI projects, which is a comparably small number to other EU countries. In IPCEI, Norway only participates in Wave 2, which supports hydrogen production and hydrogen for industrial purposes. Norway does not have any

⁴ <https://h2v.eu/hydrogen-valleys>

IPCEI projects in Wave 1, which supports the production of electrolyzers and fuel cells. In conclusion, the result of this could be that very few Norwegian projects will be considered net-zero strategic projects.

Article 15, point 1 – Coordination of financing

Development of infrastructure for hydrogen transport, both by pipelines and by ship, is of vital importance to scale the European hydrogen economy and to ensure Norway's role as a reliable partner to the EU within the Green Deal. It is therefore welcoming to see that the Net-Zero Europe Platform shall discuss financial needs and bottlenecks, with regard to the development of cross-border supply chains. It is important that Norwegian authorities participate actively to contribute with Norwegian perspectives.

Article 19 – Public procurement

More active use of public procurement and announcements with qualitative criteria will be important to develop the hydrogen market. The Norwegian Vestfjorden ferry connection is a very good example of how authorities can use their public purchasing power to facilitate new green industry. It is crucial that authorities demand hydrogen and ammonia solutions in the preliminary phase. The legal work to improve environmental requirements in the public procurement regulations can further strengthen this ability. This work must account for the recent criticism from the Office of the Auditor General of Norway that public clients do not use their purchasing power enough to ensure the phase-in of climate friendly solutions. We believe the EU proposal will contribute to this.

Article 29 – Structure and functioning of the Net-Zero Europe Platform

- Point 1: Norway must fully participate in the Net-Zero Europe platform and be considered as equal to member states in the Platform.
- Point 2: It is somewhat unclear what is regarded as a “high-level representative” to the platform. Further specifications are needed. It should also be clarified whether the national representative exclusively represents governmental bodies or if it opens up for representatives from civil society or industry.
- Point 6: It is unclear whether standing or temporary sub-groups only will involve member states and the Commission or also civil society and industry.

In general, the NHF believes that industry and civil society should be part of the Net-Zero Europe Platform in order to ensure a holistic and inclusive approach.

Article 31 – Monitoring

Collection and reporting of data and other evidence is required to ensure a correct implementation of the regulation and to monitor the Union's progress with respect to its objectives, as stated in

Article 1. This will be challenging unless additional funding is added to increase the administrative capacity in the designated national authority. Although Norway in the state budget for 2023 allocated additional funding for increased renewable energy and hydrogen competence in the Ministry of Petroleum and Energy and the Norwegian Water and Energy Resources Directorate (NVE), a further increase is needed.

Article 38 – Entry into force and application

The European hydrogen industry has committed itself to achieving 25 GW/year electrolyzer production capacity by 2025. This will be required to have the installed electrolyzer capacity of 90 to 100 GW that is needed to reach the EU's 10 target to produce 10 million tons of renewable hydrogen by 2030. To realize this, a timely adoption no later than Q1 2024 is required. The first manufacturing projects approved and supported under the Net Zero Industry Act will be launched mid/end of 2025 at the earliest. A late adoption of the regulation could make the situation even more critical.

To secure competitiveness of Norwegian technology suppliers, it is important that Norwegian authorities support the EU ambition to strengthen European manufacturing capacity for strategically important net-zero technologies by implementing and applying the measures in the regulation swiftly.

We welcome that the EU encourages member states to establish a regulatory environment suitable for phasing in hydrogen as a net-zero technology. In Norway, the most important task in this regard is to implement relevant EU legislation at a faster pace. The NHF is concerned that late implementation of important climate regulations from the EU will lead to lower competitiveness for Norwegian companies. For instance, the revised revisions of the Renewable Energy Directive and the Regulation for the deployment of alternative fuels infrastructure (AFIR) must be implemented swiftly.

Vennlig hilsen
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