Joint Letter

by the Chairs of

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The European Union is facing significant challenges in reconciling its ambitious climate targets with preserving the competitive position of its industry and technologies. If Europe wants to stay on track with its decarbonisation efforts and make its industry clean and future-proof, critical political decisions are required. Clean hydrogen is crucial for achieving climate neutrality and technological leadership, but necessary conditions are not yet in place. Urgent measures are needed, particularly for Germany, the Netherlands, and Belgium, to meet the high demand and ensure an adequate and affordable supply of clean hydrogen.

Germany, the Netherlands, and Belgium are key industrial centres, accounting for 30% of Europe's industrial output and 40% of its hydrogen consumption. They are also set to be the **main consumers of clean hydrogen** in sectors like steel, chemicals, process heat, power, and transport. With the North Sea as a hub for clean hydrogen production, a dense gas pipeline network, and key port facilities, these countries are well-positioned to become **Europe's clean hydrogen import hub**. Despite these opportunities, developing a liquid clean hydrogen market in the near term remains challenging.

A **dedicated action plan** for the three countries is needed to maintain their current and anticipated position as **industrial centre, technology developer and clean hydrogen hotspot**. To support this goal, the national hydrogen associations of Germany, the Netherlands and Belgium signed a **Memorandum of Understanding** in May 2024 that is aimed at, among others, closely collaborating on common matters that advance the hydrogen economy in these countries.

What should the new EU Parliament and Commission do in concrete terms?

Close the cost gap: As the results of the first European Hydrogen Bank auction made clear, it is unlikely that Europe's main hydrogen funding mechanism will support production facilities in Germany, the Netherlands and Belgium as the **cost gap between hydrogen production and consumption is too high**. The development of a **fully-fledged pan-European hydrogen backbone is urgently** needed to get access to lower cost hydrogen from Northern and Southern Europe. However, in anticipation of that, a **dedicated clean hydrogen transition plan** is needed for Germany, the Netherlands and Belgium. The higher cost gap must be closed by alleviating initial production cost and dedicated support of off-taker sectors. Smart financing constructions will be needed to enable projects to take off.

Improving the regulatory framework: A **more regionally tailored regulatory framework** is needed to enable **more flexibility in achieving the targets** set by the European legislation. Overly restrictive legislation, for example regarding clean hydrogen production definitions and conditions is limiting the potential solutions. In addition, complex state aid rules, scattered funding schemes and the absence of streamlined certification procedures for clean hydrogen makes it even more difficult for the three countries to achieve the targets.

Therefore, it is time for Europe to **maximise its efforts in the deployment of clean hydrogen** and **set realistic targets for the regions** that mostly depend on and contribute to the success of the clean hydrogen transition. Dedicated and flexible transitional support schemes for clean hydrogen in Germany, the Netherlands and Belgium are key measures to ensure Europe's leading industrial and technology position globally. **It is time to act now!**

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