

# The new German tender procedure to purchase Green Hydrogen (GH2)

18 January 2023

Germany is moving forward with its tender structure for purchasing Green Hydrogen (GH2) subproducts, such as ammonia, methanol, and aviation fuel from countries outside the EU. It is the first time that this unique scheme is being implemented, aiming to foster the international market of GH2. Although the deadline is approaching, there is still time to take part of it. Nevertheless, these are the first tenders of a recurrent and regular purchase procedure, in order to bring the necessary security on the demand side, so that the new projects on the supplier side can be structured.

## GH2 importance to energy transition

The central role that GH2 plays in the European energy transition policy is nothing new. The requirements for its production, which assumes the use of renewable energy, allows an integration of clean energy sources with sectors that currently depend on fossil fuels, such as steelmaking, the chemical industry and freight transport in its different modes. Thus, not only hydrogen production is decarbonised with using renewable energy, but also other sectors that today are largely responsible for greenhouse gas emissions. This is the phenomenon known by the GH2 industry as sector coupling, made possible by the Power-to-X (PtX) process, a generic term for the various GH2 transformation technologies (power) for various applications (x), such as the production of synthetic fuels (Power-to-liquid), gases (Power-to-gas) or chemicals (Power-to-chemicals). This process drives the creation of a new world market, in which the export of renewable energy is becoming a reality.

The European Commission announced in May 2022 the [REPowerEU](#) plan with the aim of reducing the dependence of the European energy matrix on fossil fuels, especially natural gas from Russia. The European plan increases the projected import volume of green hydrogen (GH2) and derivatives by 2030, indicates the need to develop its own regulatory framework and creates the [Hydrogen Accelerator](#), emphasising the importance of establishing international partnership structures to increase the supply to Europe.

Germany plays a leading role in the structuring of this new market, having its own [National Hydrogen Strategy](#) with **aims to foster a demand of up to 110 TWh of GH2 by 2030, while expecting the capacity to produce only 14 TWh of that**, due to its limited renewable energy generation potential. Aware of this limitation, Germany has structured a mechanism called [H2Global](#), around a foundation composed of more than twenty companies from the energy and industrial sectors (such as Siemens Energy,

ThyssenKrupp and Linde). An affiliated company to the foundation, Hydrogen Intermediary Company ([HINT.Co](#)), is responsible for concluding long-term (10-year) purchase contracts on the supply side of GH2 and short-term sales contracts on the demand side, by conducting regular tender procedures. With an initial funding of EUR 900 million, estimated to be raised up to EUR 4 billion, the German government will compensate the difference between supply and demand prices of winning bids through a Contracts for Difference (CfD) mechanism. The structure is being praised as an important element to motivate the market to ramp-up the GH2 production, breaking the vicious cycle of high price and low demand. Even so that ideas of broadening its scope to Europe in general are being discussed.

## **German tender procedure for long-term GH2 purchase agreements**

The first tender procedures were launched in December 2022 for the procurement of green ammonia, green methanol and e-SAF (sustainable aviation fuel derived from renewable energy). The main obligation is for the production to take place outside the EU and EFTA states and be delivered to a port in Belgium, the Netherlands or Germany, with first deliverables due for the end of 2024 / early 2025. There are detailed requirements to be met in terms of the sustainability of the production, besides the general obligation of proving technical and commercial feasibility of the project. **The deadlines for submitting the applications are near: 7 February 2023 for ammonia and 21 February for methanol and e-SAF, but there is still enough time to compile the necessary information to participate.**

We at BLOMSTEIN would be more than glad to assist in the requirement analysis to identify if a project is qualified to be part of this initiative, as well as assisting in the entire tender procedure. Please do not hesitate to contact [Roland M. Stein](#), [Bruno Galvão](#) and [Florian Wolf](#).