

# Unlocking Green Hydrogen Projects with EU's Innovation Fund and Germany's PtX Development Fund

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The German Federal Government and the European Union have recently announced further steps to promote the expansion of the European and global green hydrogen economy. To this end, they will provide **financial support totaling to over one billion euro** in two separate funds: the Innovation Fund by the European Union (EUR 800 million) and the PtX Development Fund financed by the German Federal Ministry for Economic Cooperation and Development (EUR 270 million). Both sources of funding are now open for participation, with deadlines for application expiring on 1 March 2024 (PtX Development Fund) and 8 February 2024 (Innovation Fund Auction).

## **Paving the way for green hydrogen: New state funding opportunities in the EU and Germany**

One indispensable energy carrier to achieve the European Union's goal of climate neutrality by 2050 is green hydrogen. However, private investment in green hydrogen is still far below what is required to reach net zero greenhouse gas emissions. This is – *inter alia* – due to a considerable financing gap between production costs and market price for green hydrogen as well as a bankability gap.

- To kick-start the development of a European hydrogen market and contribute to meeting Europe's ambitious climate targets, the **EU Innovation Fund** launched an **auction to provide cost-efficient support to renewable fuel of non-biological origin (RFNBO) hydrogen producers**. The program serves to bridge the gap between the price of production and the price consumers are currently willing to pay for RFNBO. Funding from this program is limited to projects installed in the **European Union and the European Economic Area**.
- On the contrast, the **German PtX Platform** is explicitly aimed at **developing countries and emerging economies outside the EU**. It pools several promotional and financing instruments under one roof to support the establishment of the **Power-to-X (PtX)** technology, i.e. the conversion of energy from renewable sources into green hydrogen or some of its subproducts such as green ammonia, eSAF (sustainable aviation fuel from renewable energy) or green fertilizers, on an industrial scale in the global energy market.

## **Opportunities for EU/EEA RFNBO producers: The EU's Innovation Fund auction**

The EU Innovation Fund provides funding to operators installing new RFNBO hydrogen capacity within the EU and the European Economic Area (i.e. Iceland, Liechtenstein, Norway) and producing RFNBO hydrogen from those installations. To be eligible, projects require a minimum installed **capacity of the electrolyser of at least 5 MWe**. The project must enter into operation within five years after signature of the grant agreement and operate for 10 years in principle.

To participate in the auction process, companies must present detailed documentation of their project, including a project description of up to 50 pages. Furthermore, the proposal must indicate a **bid price, i.e. presenting the support required to cover the difference between (i) the expected revenues from the sale of the product and (ii) its costs**. Proposals deemed acceptable and eligible from a formal perspective are evaluated against the award criteria. Part of the award criteria is the quality in terms of the project's readiness to enter into operation within five years after signature of grant agreement. In light of this, the technical maturity of the proposal will be evaluated on the basis of the technical characteristics and scope of the project, the electrolyser procurement strategy and the credibility of the project implementation plan. Furthermore, the financial and operational maturity of the project will be assessed in terms of soundness, reliability of the business and financing plan, sourcing and off-take and price hedging strategy, competence and experience etc. Submissions that pass all relevant criteria will be considered for funding based on their ranking according to their bid price. Funding will be granted to the proposals with the lowest bid price until the limits of the available budget are reached. The successful applicants receive funding in form of a **grant in the amount of the bid price**, i.e. the difference between costs for production and expected revenue.

For participation in the EU Innovation Fund auction, participants must submit all application documents by **8 February 2024**.

## **Opportunities for third-country companies : The German PtX Development Fund**

With the PtX Development Fund, Germany supports green hydrogen production and its subproducts in countries where the conditions are particularly convenient and where the goal of a net zero economy can therefore be achieved more efficiently. In the first call, projects in **Brazil, Egypt, Georgia, India, Kenya, Morocco and South Africa** are eligible. Funding is granted for projects in those countries along the whole PtX value chain. This includes, for example, generation of **renewable energy, electrolysis, hydrogen compression, storage and transportation, as well as distribution and application of PtX technologies**.

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For a project to be eligible, the energy used must only derive from renewable energy resources. Furthermore, the project must contribute in a significant and efficient manner to avoiding greenhouse gas emissions. Eligible projects should be close to Financial Close. Operators that provide evidence of their capabilities in terms of the eligibility will be assessed against certain selection criteria. The PtX Development Fund prefers, *inter alia*, industrial-scale projects with a total investment cost of over EUR 100 million in sectors where the usage of hydrogen is hard to avoid that demonstrably add value to the local economy.

Funding will be provided in form a **grant contributing to the total investment costs with a target size of EUR 30 million**. Deadline for submitting expressions of interest in the first call is **1 March 2024**.

## **What's important to know**

Interested parties should be aware that both funding projects, while offering extensive opportunities in future markets, have **comprehensive requirements**. In particular, companies must submit a large number of documents within the tight application deadlines describing the project and showing their capability to be granted state support. Therefore, it is very advisable to start preparing all required documents as soon as possible.

BLOMSTEIN has detailed practical experience with government funding programs on both German national and EU level, including for green hydrogen. If you have any questions on the topic, [Florian Wolf](#), [Bruno Galvão](#), [Ramona Ader](#) and the entire BLOMSTEIN team will be happy to advise.