

Bellona Europa Consultation: Communication from the Commission on “Criteria for the analysis of the compatibility with the internal market of state aid to promote the execution of important projects of common European Interest” known as IPCEI.

Bellona Europa welcomes the efforts by the European Commission to update the IPCEI Communication to be in line with and facilitate the upgraded climate target of climate neutrality by 2050 as provided for in the European Green Deal.

As provided for in the [Fitness Check on State Aid Rules](#) targeted adjustments are needed to: “Ensuring the wide European character of important projects of common European interest by enhancing their openness and consistency with EU policies, notably the European Green Deal”. Bellona Europa is of the opinion that to ensure alignment and facilitation of the European Green Deal and the climate neutrality target by 2050, certain amendments are required to the draft Communication on IPCEI. We include these and our general recommendations on the prospect of future hydrogen IPCEIs below.

1. *Regulatory consistency and alignment with Sustainable Finance Taxonomy*

We find the inclusion of references to the Sustainable Finance Taxonomy in point 22.f) a necessary improvement, but worry that the current reference as it stands does not provide clarity on the extent to which or how the Taxonomy shall be taken into account. We therefore strongly recommend that point 21 specifies that the “Do No Significant Harm” (DNSH) principle it here refers to is that of the Taxonomy. As highlighted by Bellona Europa in the past, the [Recovery and Resilience Facility’s understanding of the DNSH and the Taxonomy differ](#) – and specification is here beneficial. Notably, it should also be recognised that alignment with DNSH principles of Taxonomy, although desirable, does not alone ensure the contribution of the IPCEIs to the objectives of the Taxonomy. We therefore recommend to also include targets of alignment with the Taxonomy’s substantial contribution criteria for IPCEIs.

On point 22 f) specifically, the wording should be amended to ensure reporting for all IPCEIs based on potential alignment with the Taxonomy, and in choosing and approving IPCEIs the European Commission should set clear requirements for thresholds of alignment of the IPCEIs with the Taxonomy. These thresholds should be updated regularly to ensure ambitious IPCEIs contributing actively to our efforts to reach climate neutrality by 2050.

2. *Carbon Dioxide Networks aiding industrial decarbonisation*

In point 17 page 4 of the communication, the required number of Member States needed to be included in the project is four. A specification is made in footnote 17 stating that projects with fewer Member States can be eligible under certain circumstances. The reference in footnote 17 currently refers to TEN-T as being eligible even with fewer Member States as they are “are of fundamentally transnational importance because they are part of a physically connected cross-border network or are essential to enhance cross-border traffic management or interoperability”. We believe that in addition to this exemption provided to TEN-T, a similar exemption should be provided to the development of CO₂ storage projects. The reference to physically connected cross-border networks should thus also be changed and “physically” should be removed to account for the connection of carbon dioxide networks also by transport modalities other than pipeline – such as ship, truck and barge. CO₂ storage projects is a prerequisite for industrial decarbonisation efforts, and without storage there is no business case for capture. These projects face a set of the very market

failures and barriers to market development that the IPCEIs are meant to address. Bellona Europa has already [spoken out](#) in favour of CO₂ storage and transport modalities other than pipeline to be included as eligible in the TEN-E – most certainly of common interest given the reliance of nearly all IPCC scenarios on carbon capture and storage to reach set climate targets by 2050. There is substantial interest for cooperation amongst Member States to develop CO₂ storage, most recently illustrated by the [Non-paper on Carbon Capture and Storage](#) published by the Netherlands, Norway, Denmark and Sweden.

3. *Comments on Hydrogen IPCEIs*

While the Communication here up for consultation does not directly refer or mention the planned IPCEI on hydrogen launched in December 2020, Bellona Europa would nevertheless like to highlight some main concerns and comments on the upcoming work on a hydrogen IPCEI:

- A hydrogen IPCEI must clearly prioritize renewable hydrogen as a solution for harder to abate sectors to enable industrial decarbonization where direct electrification is not a possibility. Since hydrogen requires significant amounts of electricity to be produced at a large scale, the carbon intensity of that electricity plays a major role in the final climate footprint of the hydrogen produced. For renewable hydrogen to be just that – renewable - a full LCA and clear accounting rules must accompany any hydrogen IPCEI.
 - The principle of additionality, ensuring that hydrogen production does not cannibalise RES already serving or intended to serve the decarbonisation of grids, must be incorporated.
 - Direct connection to RES should be awarded, as it ensures that the project does not provide any additional demand for local fossil electricity generation. Projects with a direct connection to RES should be preferred.
 - In the case of renewable grid electricity, a temporal (day-ahead or hourly matching, full coverage with PPA) and geographic (same bidding zone, physical PPA) connection between the electricity generation and the production of hydrogen must be established.
- Targeted use of low carbon hydrogen for an interim period while building out new capacity of RES may be a cost-effective climate change mitigation solution for some cases of industrial decarbonisation. For low carbon hydrogen's contribution to climate change mitigation to be ensured, however, certain requirements must be fulfilled, and we recommend that the European Commission takes this clearly into account when evaluating the projects for approval:
 - Carbon Capture and Storage with high capture rates (e.g. above 70%) for hydrogen produced by use of fossil fuels must be mandatory. Low upstream emissions in fossil fuel extraction also must be ensured.