Siemens Energy contribution to the Consultation on the Review of the Communication on important projects of common European interest (IPCEI)

Siemens Energy welcomes the revision of the IPCEI communication, especially due to our full involvement in the ongoing Hydrogen IPCEI, supported by signatures of 22 Member States, as well as the upcoming decarbonization IPCEI. Furthermore, the frame conditions for a successful transition to a hydrogen market does not exist yet. Therefore, state aid is necessary to support the industry and to ramp-up the market.

Nevertheless, the draft proposal as presented on 23 February 2021 in our view could be improved by the additionality of few key points for a successful ramp-up of Hydrogen and decarbonization markets, as well as by making the proposal concrete in guidance and governance.

Below are our main improvement suggestions and recommendations, accompanied at the end of the document by few comments on the proposed text.

01

Speed. Member States across the EU are in intense discussions about how to design hydrogen investments as an Important Project of Common European Interest. At the same time, the window of opportunity provided by the EU Recovery Fund is very short and Europe's hydrogen strategy has its first milestone already end of 2024: 6GW of electrolysis. Europe needs to make full use of the current momentum for hydrogen investments and innovative projects. Therefore: Speed and creating legal and planning certainty for IPCEIs is paramount. Getting that legal clarity only by the end of 2021, i.e. in alignment with the timeline for the revision of the EU state aid framework, will be too late. **We highly recommend providing clarity on for the ongoing national IPCEI discussions on hydrogen already early 2021, in particular regarding the open issues below.**

02

Cost eligibility. Whereas for Point 24 and Point 25 in section 3.2.3 experience was built up in the Microelectronics and Batteries IPCEIs, the first-time application of Point 26 in the Hydrogen IPCEI needs more clarity on the scope, costs eligibility, spillover effects. Due to the particularities of Hydrogen projects covering the entire value chain, the challenges related to the ramping up stage and the costs of operation are considerable. **We strongly recommend that the CAPEX (not only depreciation) and OPEX costs are included as eligible costs (also for projects defined under 3.2.3. Point 26), with more flexible procedures, allowing up to 100% coverage of the funding gap.**

03

Assessment criteria and IPR. Due to the specifics of the Hydrogen IPCEI and the low-carbon IPCEI, clear guidance should be given on the assessment criteria for the projects under the Art. 23**. A proper balance should be found between the expected spillover effects vs. Intellectual Property Rights. Priority should be given to empowering the beneficiary companies to bring industrial scale innovative hydrogen technologies and solutions on the market in the next 1-3 years.** Accelerating the transformation of our economies towards climate-neutrality requires to focus on enabling investments in new industrial-scale solutions that come with considerable commercial and operational risks.

04

Global, inclusive approach. In view of the considerable needs for clean hydrogen to make the European industry carbon-neutral, the EU will have to import green hydrogen and its derivatives (such as e-methanol or e-ammonia). The new IPCEI Communication should take this into account**. Projects outside the EU, such in regions with the best conditions for wind and solar energy (e.g. Australia, South America, or Northern Africa), or in regions that are of geopolitical importance to the EU (e.g. Ukraine) should be eligible for investments, if these investments have positive effects on the European economy.** To maximize the benefit for the climate, the EU should swiftly elaborate a system that guarantees the renewable origin of the imported energy and ensure its regulatory eligibility. To support our partners in these endeavors, **we recommend creating better synergies with the Neighborhood Development and International Cooperation Instrument (NDICI) – at least for the top up share coming from Next Generation EU.**

05

Governance. The submission of projects for IPCEI interest will likely happen in several countries in different waves, some countries having internally several waves. **We recommend clear guidance and a clear mandate for a coordination body to address the strong need for lean, straightforward, yet robust governance strategy at EU level. This should facilitate a smooth cooperation with Member States and a proper alignment for pre-notification and notification stages. We underline the sense of urgency to keep the procedure as short as possible.**

Comments on the proposed text:

1. 3.2.1 Point 17: what is the order of magnitude meant by “extend to a wide part of the EU”? Is there a desired number of additional Member States?

2. 3.2.1 Point 20: what order of magnitude is meant with “significant co-financing”? Is there a minimum limit that would be considered as positive indicator?

3. 3.2.2 Point 22e: Clear guidance needed on levels of co-financing.

4. 3.2.3 Point 23: What is meant by “major innovative nature”? How is “important added value” defined? What are the criteria?

5. 3.2.3 Point 24: How the “high research and innovation content” is defined? What is a “fundamentally innovative production process “? What are the criteria for project evaluation?

6. 3.2.3 Point 25: How is a “very important R&D&I component” defined? Same as above, clear criteria are needed.

7. 3.2.3 Point 26: Who will decide about the “great importance”? What is a “significant contribution to the internal market”? What are the main (qualitative and/or quantitative pointers?

8. 3.3. Point 27: Criteria are missing.

9. Annex: Point g): Are there any limits for operating expenditures?