

DRIVING DECARBONISATION BY R&D&D: CEZ GROUP'S POSITION ON EU HYDROGEN STRATEGY

The mission of the CEZ Group is to provide safe, reliable, and affordable energy to our customers as well as to inspire the society. Our vision is to develop innovations, in order to meet energy needs and contribute to a higher quality of life.

We welcome the Commissions' Communication on a Hydrogen strategy for a climate-neutral Europe as well as establishment of the Clean Hydrogen Alliance. We fully agree that hydrogen should be considered as a decarbonisation solution for places where electrification is either not possible or cost-efficient. We also welcome the emphasis put on clean hydrogen mobility.

At the same time, we must ensure that any installation of refuelling infrastructure will anticipate realistic demand scenarios to avoid stranded investment. Future policies in the hydrogen sector should be accompanied by sound impact assessment, to ensure positive impact on both citizens and European industry. Impact assessment shall not only identify impacts on respective industries, but also on individual member states divided by sector.

DECARBONISATION AT THE CORE

In relation to CO₂ abatement, nuclear should be included both in the clean hydrogen definition, as well as in the whole communication's text in general. Nuclear electricity covers one quarter of the EU's electricity demand and provides stable and CO₂ free electricity supply. Therefore, any support for electrolysis-produced hydrogen should be linked to carbon free electricity, not to the renewable character of the electricity. Also, if any quotes for hydrogen are set, they should be set for carbon free hydrogen, not only for renewable hydrogen. However, we do not believe a quantified hydrogen share in energy consumption / industrial use should be a goal as such. We see hydrogen as an enabler of decarbonisation in certain industrial sectors, and its use should be achieved by indirect market tools like carbon price.

SUPPORTING R&D&D AND LEAVING THE MARKET FORCES WORK

Hydrogen is now in the position renewables were 15 years ago. However, the EU is in a different situation thanks to sound experience with various support schemes. While we fully support increase in the share of electrolysis-produced hydrogen, we do not believe national binding goals are a proper way to go forward. We rather support funding of R&D&D, of specific projects and strengthening of carbon pricing.

Funding should target research and development of use of hydrogen in different sectors and different regions and not only in small pilot projects, but also in large-scale installations. Otherwise we risk that certain regions and sectors will considerably fall behind. For instance,

design of electrolyzers and their cost should take into account the intermittent character of renewable electricity production.

HYDROGEN DEVELOPMENT SHALL BE SUPPORTED BY FUNCTIONAL CARBON PRICING

Future EU hydrogen policy documents should not only focus on production and distribution facilities, but also ensure that companies will be using hydrogen coming from electrolysis to cover their needs. Carbon pricing must provide them with incentives to do so. In this regard, we will be happy to contribute to the debate on the future reforms of the EU ETS system. In this regard, we believe EU ETS should be extended to cover more sectors than today.

We also agree with the Commission that if differences between CO₂ abatement measures persists over the world, carbon border adjustment mechanism should be adopted to protect EU industry, including the hydrogen sector. Prior to suggested Carbon contracts for difference introduction, thorough analysis of impacts on the EU ETS must be pursued, to avoid any impacts on its proper functioning and to avoid undesired overlaps.

UNBUNDLING AS A BASIS

Finally, we welcome support of repurposing of natural gas infrastructure, which will be needed not only for hydrogen, but also for securing stable electricity supply during a transitional period towards carbon neutral economy. In this regard, we fully support EC's intentions to keep unbundling principles also for hydrogen networks & repurposed gas networks.