Brussels, 09th May 2025

To whom it may concern

This ad-hoc industry alliance comprises 19 companies, active along the entire hydrogen value chain. With this letter the undersigned companies would like to urgently draw the attention to the draft delegated act "specifying a methodology for assessing greenhouse gas emissions savings from low-carbon fuels" (LCH DA).

Last week an updated draft of the LCH DA was shared with Member States experts, one of the formal last steps ahead of the official publication of the DA by the European Commission.

After a thorough assessment of the LCH DA the companies of this industry alliance conclude that the present draft will effectively prevent the ramp-up of low-carbon hydrogen in the EU.

The industry alliance has been closely following the drafting process on every step and has thus continuously provided constructive feedback on the economics and the technicalities of the hydrogen market. While it is true that the European Commission has met some stakeholder asks throughout the process (such as hourly emission accounting for electricity input and the possibility to use project specific values for the upstream methane emissions) it has not addressed most concerns and has doubled down on others: the increase in default values for the upstream CO2, N2O and CH4 emissions, in combination with the absence of methodologies for project specific emission values for the CO2 of natural gas, is so restrictive that it will prevent almost all "blue hydrogen" (low-carbon hydrogen from natural gas in combination with carbon capture and storage) production in and imports to the EU, except for very limited cases. Additionally, the flat-rate application of the 40% surcharge has hardly been improved.

The significantly limited low-carbon hydrogen ramp-up in combination with the delayed and more costly ramp-up of renewable hydrogen production in the EU, will substantially slow hydrogen investments and market development for the foreseeable future. Such a development contradicts fundamentally the EU's competitiveness and decarbonisation agenda. A foreseeable ramp-up is the prerequisite for all companies willing to invest in projects that rely on large and affordable volumes of hydrogen, namely industrial use-cases (e.g. decarbonized steel, sustainable transport fuels, sustainable chemicals), hydrogen transport infrastructure, hydrogen-ready gas-fired power plants and many more.

We thus strongly encourage the European Parliament, the Member States as well as the European Commission, to urgently act in the spirit of the recently announced competitiveness agenda and work towards redrafting the delegated act.

For this purpose you will find in the annex the key concerns already raised at previous stages of the drafting process, as they remain both unaddressed and indispensable. However, we would caution against picking individual points as they only work in a context with each other and if adopted individually, could create more complications rather than facilitating the ramp-up.

Now – like at the previous stages of the drafting process - the undersigned companies continue to stand ready with their expertise to second a swift redrafting of the DA.

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With kind regards,

(the undersigned companies in alphabetical order)

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ANNEX

On Upstream Emissions

- The updated draft version significantly increased the default values in Annex B for the up-stream carbon emission for natural gas to 15.1 g CO2eq/MJ (CO2, CH4 and N2O), compared to 10.45 g CO2eq/MJ in the draft from September 2024, which makes the production or import of low carbon hydrogen based on natural gas in and to Europe very challenging or even impossible. These default values should be aligned with those included in the DA for the emissions accounting of renewable fuels of non-biological origin (9.7 g CO2eq/MJ) to establish a level playing field and improve regulatory clarity.

- For the **methane part of the upstream emissions** project promotors would be forced to use project specific values once the reporting obligations according to Art 12(2) of the EU Methane Regulation come into force. After that the use of the default value will only be possible with a 40% penalty. The proposed 40% surcharge is excessive and lacks scientific justification and thus would lead to an additional and unjustified hurdle which will exclude promising supply of "blue hydrogen", regardless from which country. The trigger of the 40% surcharge, linked to Art 12(2) of the EU Methane Regulation, is not clear and creates great uncertainty.
- If the surcharge is not deleted, investment security should be at least provided by introducing a grandfathering clause for first-mover projects given the regulatory uncertainty embedded in the Methane Regulation due to outstanding secondary legislation. Thus, projects going into FID before 5. August 2028 should be grandfathered as to be able to continue using "other scientific methods" as specified in footnote 6 of the LCH DA, including schemes such as the OGMP 2.0 framework, which is directly referenced in the EU Methane Regulation.

- Beyond addressing methane upstream emissions, the legislation should permit the **application of supplier/project-specific values for CO2 and N2O upstream emissions**, for example some operators achieve a value for CO2 emissions as low as 1.4 g CO2eq/MJ (compared to 8.4 g CO2eq/MJ that were proposed in the LCH DA), which makes a strong case for project specific values. The existing emission accounting under the EU Emissions Trading Scheme provides the required methodology and only needs to be acknowledged under the low-carbon fuels DA, which would make it applicable to domestic production. Regarding imports it should also be made available to importers of low-carbon hydrogen to the EU as a voluntary standard verifiable by a third party.

- Imports of low-carbon fuels will play a crucial role for the swift uptake of the hydrogen market. To accelerate the uptake through imports, the legislation should allow:
    - The use of single supplier/project-specific value for the upstream value chain or, if available, supplier/project specific values for each part of the upstream value chain (i.e. production, gathering/boosting, processing, transmission).
    - Especially if single supplier/project-specific values are not available, the use of an overall default value for the upstream value chain or for each part of the value chain, if available. These default values should be based on the most granular data available, whether national or regional, provided that such data is published by an official government source. The standard values provided in the current draft are too unspecific.

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On Electricity Sourcing

- PPA based electricity sourcing
    - Electricity sourcing along the low-carbon value chain should be more flexible and allow for the use of low-carbon as well as non-additional renewable electricity via PPAs and guarantees of origin for electricity. This electricity should then be accounted as zero or low emissions, depending on the source.
    - Where necessary, criteria regarding temporal and geographic correlation for the sourced electricity could be taken into account in the future. However, from the experience from the DA on RFNBO, a strict temporal and geographic correlation proves to be detrimental to the ramp-up of RFNBO production. Similar restrictions should be avoided regarding low-carbon hydrogen, otherwise current investments in hydrogen infrastructure and hydrogen use-cases run the acute risk of underutilisation.

- In Table 5 of the annex, the EU Commission cites data for the average emission intensity of national electricity grids that includes 2022 as the latest available year. Eurostat already reports more recent 2023 data which are significantly lower for some countries but not acknowledged under the DA. Given the importance of electricity input for low-carbon hydrogen production and the expected expansion of renewable electricity supply in the EU, it is of utmost importance that the values in the DA are updated annually based on most recent Eurostat data. Alternatively, the DA should not include Table 5 at all and instead refer to the most recent available Eurostat data directly to ensure best possible timeliness.

- With a view towards reducing the bureaucratic burden - particularly for imported hydrogen - it would make sense to further simplify the emission accounting rules for electricity that does not increase the heating value (e.g. for supporting processes), by counting low-carbon and renewable electricity sourced via a PPA as low emission respective zero emission electricity, depending on the source. It would also create an additional incentive to electrify these processes early on.