

Northern Sparsely Populated Areas' (NSPA) views on the Delegated Act on Article 27(3)

The Northern Sparsely Populated Areas network, NSPA, represents the interests of the four northernmost regions of Sweden (Norrbotten, Västerbotten, Jämtland Härjedalen and Västernorrland), the seven eastern and northernmost of Finland (Central Ostrobothnia, Kainuu, Lapland, North Karelia, Northern Ostrobothnia, Pohjois-Savo and South Savo), as well as the two northernmost regions of Norway (Nordland, Troms & Finnmark).

The NSPA Position

The NSPA welcomes the ambition of the RED II Directive in the forthcoming Delegated Act linked to Article 27(3), and the forthcoming RED III revision to increase Europe's hydrogen production. However, we would like to highlight that some parts of the DA could have the opposite effect than intended, and slow down the transition instead.

The NSPA would therefore like to highlight that

- The principle of additionality should, in its entirety, make clear exceptions for regions and Member States with predominantly renewable energy in their energy system and with an excess of renewable energy in the electricity networks, such as the NSPA regions.
- The European Commission should make it clear that the discussion on additionality does not concern the production of hydrogen for industrial use.
- The delegated act should not hinder regions with predominantly renewable energy production's ability to produce renewable hydrogen with existing overcapacity of green electricity, to enable the development and use of hydrogen-powered aircrafts, trains as well as heavy transport

The European Commission should ensure that the responsibility for reporting is on the Member States and make sure the administrative burden linked to the reporting is minimized in order not to hamper green hydrogen initiatives. Holding hydrogen producers accountable for elaborate reporting, especially when not having the same requirements for other energy producers and consumers, will be a hinder for green hydrogen producers, especially in sparsely populated regions with limited resources.

Exemption for countries and regions with high share of renewable electricity

The NSPA regions have among the highest share of renewable energy in the electricity grid. 98 percent of the electricity in Norway is renewable, with 96 percent being produced by hydropower. In 2020, Wind and hydroelectric power accounted for a total of 29% of Finnish production. Several areas in the region even have an excess of energy from renewable sources. The NSPA would like to underline that countries and regions, which already have made major investments in renewable electricity generation, should be able to use it for production of renewable hydrogen and thus be exempted from the requirements defined in the Delegated Act linked to the RED II directive Art. 27(3).

RED II directive Art. 27(3) provides that renewable production of *renewable liquid and gas fuels of non-biological origin* (e.g. hydrogen) can be produced from energy from a direct connection facility or taken from the energy network. The DA of the Directive should also continue to make it possible to classify hydrogen from electricity generation from installations older than 24 months as renewable in regions with a high share of renewable energy. The DA should not cause an unreasonable burden on the energy intensive industry, risking discouraging investment in hydrogen production in Europe.

Hydrogen for large-scale industrial application

Major industrial projects in the NSPA regions use hydrogen from renewable energy sources in the production of fossil free goods such as steel. In order for these to be able to contribute to the green transition with great climate benefits for the entire EU, it is necessary to clarify that the regulations put forward in the delegated act according to Art. 27(3) will not concern industrial applications of hydrogen production, now nor in the future.

Industrial application of hydrogen technology entails great needs but also a significant climate benefit that must be taken into account and cannot fall under the same regulations as renewable energy for the transport sector. The regions in the NSPA are now receiving major investments in green industry, which will play a crucial role in Europe's ability to succeed with the green transition. The NSPA regions are now getting ready for the planned investments, in which a large part will be invested in technology development and hydrogen production capacity in industrial application. For example, investments in carbon-free steel in northern Sweden will reduce Sweden's total CO₂ emissions by 10%, in a market-driven transition, by using green hydrogen produced in the region using renewable electricity from water, wind and solar power. In North Norway, the steel producer Celsa is planning to establish a green hydrogen value chain to produce one of Europe's most climate friendly reinforcing steel, replacing the fossil energy used today. In Finland, the use of hydrogen as a reducing agent and energy source in steel production offers a significant application for using hydrogen (more than 100,000 tonnes) and potential for reducing CO₂ emissions (-4 million tonnes, about 7% of national emissions).

The NSPA stresses that the Delegated Act should make it clear that the regulations apply only to renewable energy for the transport sector, which is the mandate given by Directive 2018/2001 (REDII) Art. 27(3).

Hydrogen for the transport sector

Green hydrogen is expected to play a significant role for the transport infrastructure in the Northern Sparsely Populated Areas, which is characterised by large regions, a sparse population and long distances to the market. Already today, the regions, municipalities and private actors are investing in infrastructure and R&D projects which will enable hydrogen-powered aircrafts, trains and heavy transport. The existing renewable energy production in the NSPA thus constitutes an important

factor in the production of renewable hydrogen as a fuel for the transport sector, and contributes to a large extent to the green transition of the transport sector.

The NSPA underlines the importance of ensuring that the regulations and requirements of the delegated act for new energy production capacity do not hamper the regions' ability to switch to sustainable transportation.