

## **The future of renewable hydrogen in Poland**

On 21 November 2024, at its 22nd session, the Sejm passed a law amending the Energy Law and certain other laws implementing the basic principles of the hydrogen market into the Polish legal system (draft UD36, Sejm publication No. 743, 796 and 796-A). MPs showed a remarkable degree of consensus: 447 MPs voted in favor of the bill, 1 against, and 17 abstained. The course of the vote shows that establishing rules for the hydrogen market in Poland is a matter of utmost importance. The bill has gone to the Senate and will already be voted on at the next session, which is scheduled for 4-6 December 2024. As a rule, the law is expected to enter into force within a month of its promulgation (Article 19 of the bill).

As for the formation of the legal framework for the hydrogen market in Poland, the aforementioned bill is only the first step in providing the basic and structural principles for the operation of this industry. The second aspect of effective development is instruments to support new investments and market players. The latest information as to the Polish government's plans in this regard is provided by the draft National Energy and Climate Plan (NECP) - hydrogen and meeting demand for it - all of area 3.6 has been devoted to it.

First, the intention to introduce a differential contract for industrial hydrogen production was confirmed. As we can read in the body of the document (Measure 75): "The differential contract is to provide public assistance in the form of a predetermined surcharge on the price of 1 kg of hydrogen produced by a producer and used by a consumer in Poland. The surcharge is intended to reduce the difference between the price of renewable hydrogen and gray hydrogen (obtained from fossil resources). On the other hand, ensuring that the price of renewable hydrogen is at a level that allows it to compete on the market with gray hydrogen, i.e. removing the risks associated with the still incipient stage of development of renewable hydrogen technology and production, should reduce the risk of Polish hydrogen projects and contribute to the development of the renewable hydrogen market in Poland. The mechanism is intended to facilitate the replacement of gray hydrogen with renewable hydrogen, mainly in industry." The Ministry announced that work on a contract for difference mechanism for hydrogen is underway as early as this summer.

The forms of financial support for the construction of new low-carbon hydrogen generating units (Measure 76) are less precisely described, although the introduction of Area 3.6 notes that due to the "rather high" requirements of the RED III Directive, "the construction of own production capacity will be sought first." It is known that funds for this purpose are to come from the Instrument for Reconstruction and Enhanced Resilience.

The document also indicates that the *Polish Hydrogen Strategy to 2030, with an Outlook to 2040* created in 2021, will be updated. The Strategy remains outdated if only because of the late entry into force of the RED III Directive, which took place in November 2023. What may worry most is that the projections for estimated renewable hydrogen production in 2030 presented in the NECP are lower than those presented in the Hydrogen Strategy. The Strategy indicates that "for 2030, it is envisaged to strive for an installed capacity from low-carbon sources and processes of 2 GW, which will enable the production of 193,634.06 tons of hydrogen per year (...)." In turn, the projections presented in the NECP show that "the projected hydrogen financial contract can provide up to 113,000 tons for hydrogen for industrial and transportation needs in 2030 (total needs - 315,000 tons). In addition to this stream for industrial and transportation needs, renewable hydrogen production capacity is expected to be built in Poland to ensure the production of 43,000 tons of green hydrogen," bringing the total to 156,000 tons.

We will have to wait until the publication of the draft of the updated Strategy for a broader perspective on the government's plans for the hydrogen market, as the NECP itself is not firm enough in this regard:

on the one hand, the necessity of developing renewable hydrogen production capacity is indicated, while on the other hand, in reference to the Strategy update, it is indicated that "*The document will define paths for the development of the RFNBO hydrogen market in Poland, along with an indication of optimal scenarios. This will answer questions about whether, from the point of view of the economy and energy security, it is better to import or produce RFNBO hydrogen in Poland.*"

In the context of the imminent prospect of fulfilling the requirements of the RED III Directive, the pace of action taken is quite slow. The law establishing the legal framework for the market only managed to be passed three years after the Strategy was adopted, although the stated timetable for legislative action was much more ambitious. According to the Strategy, the adoption of a hydrogen legislative package on market rules and the implementation of an incentive system was planned for 2022.

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