

ALERT

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Understanding the importance of the European Delegated Acts for the developing green hydrogen industry in Africa

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Understanding the importance of the European Delegated Acts for the developing green hydrogen industry in Africa

As part of the European Commission's (the Commission) REPowerEU plan to scale-up the production and use of renewable hydrogen, ammonia and other derivatives in the European Union (EU) the Commission adopted two European Delegated Acts (Acts) in February 2023. The Acts includes a set of rules and guidelines for the certification of green hydrogen produced within the EU, as well as imported hydrogen from other countries, such as Namibia and South Africa.

The Delegated Acts is particularly relevant for the EU's green hydrogen strategy, which aims to establish a hydrogen economy as a sustainable energy source and reduce the EU's dependence on fossil fuels. As part of this strategy, the EU has set a target of producing 40GW of renewable hydrogen by 2030, which will require significant investments in the entire value chain, from production to end-use.

Namibia and South Africa are among the African countries that have identified green hydrogen as a potential key driver for sustainable economic growth and energy transition. Both countries have developed green hydrogen strategies with the aim of becoming producers and exporters of green hydrogen to global markets, including the EU.

Context to the Delegated Acts

The Acts was introduced in 2019 as part of the EU's Clean Energy Package, a set of legislative measures aimed at accelerating the transition to a low-carbon economy. The Act is a delegated regulation, which means it supplements an existing EU law, the Renewable Energy Directive (RED II), and provides more detailed rules for the certification of renewable and low-carbon fuels.

The main objective of the Acts is to establish a harmonised certification framework for green hydrogen produced within the EU, as well as imported hydrogen from other countries. What does the Acts generally intent to achieve:

- It sets out a number of provisions for the certification of hydrogen, including the criteria for determining the carbon footprint of hydrogen production and the procedures for verifying compliance with sustainability criteria.
- It establishes a system of guarantees of origin, which are certificates that provide information on the origin and environmental attributes of hydrogen. The guarantees of origin are intended to ensure transparency and traceability in the hydrogen market and enable consumers to choose hydrogen with a lower carbon footprint.
- that there is enough renewable energy to meet the demand for hydrogen production. The rules require hydrogen producers to prove that the electricity they use is renewable, either by being directly connected to a renewable-power installation or by demonstrating that the electricity taken from the grid is renewable.

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- Its sets out several ways to demonstrate that the electricity is renewable, including when demand is curtailed or when renewable electricity generation exceeds demand. The number of hours of hydrogen production is limited to avoid production during hours when renewable electricity is scarce. Producers can comply with the rules by entering into Power Purchasing Agreements with renewable power producers.

A fundamental part of the Act is accordingly how renewable hydrogen or low carbon hydrogen is defined, as it set the parameters for producers of green hydrogen or the derivatives products they manufacture that can be sold and traded as “renewable” in the EU.

The Acts will complement the Commission’s work on an EU regulatory framework for hydrogen and other EU rules, including energy infrastructure and state aid, as well as

the proposed consumption targets for renewable hydrogen for the industry and transport sectors contained in the Fit for 55 package.

The Acts proposed by the Commission is being reviewed by the European Parliament and the Council for approval.

Potential opportunities and challenges for collaboration and partnerships

Important for African countries to note is that the rules for the import of renewable hydrogen is also designed for the emerging hydrogen market, with the goal of reaching 6000 MW of electrolysers powered by renewable electricity by the end of 2025.

To support the early scale-up of electrolysers, renewable hydrogen producers will have the option to sign long-term renewable power purchase agreements with existing installations until 2028. In a phase-in period, renewable hydrogen producers are allowed to match the production

of renewable power generation and their associated renewable hydrogen production on a monthly basis, but as of January 2030, they will need to match electricity on an hourly basis. EU Member States can introduce the hourly correlation as of 1 July 2027, subject to notification to the Commission.

The Acts has significant implications for countries such as Namibia and South Africa’s green hydrogen plans, particularly for their access to the EU market. Compliance with the Acts will be necessary for exporting green hydrogen to the EU, which is a major potential market for African countries. The Acts sets out sustainability criteria that hydrogen must meet to be certified and traded in the EU, which could provide a valuable opportunity for African producers to differentiate their products based on their **sustainability credentials**. By complying with the Act, African countries could also potentially access funding and support from the EU for green hydrogen projects.

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However, implementing the Acts could also pose challenges and limitations for African countries. For example, meeting the sustainability criteria set out in the Acts may require significant investment in green hydrogen production technologies and infrastructure. Additionally, there may be concerns about the potential costs of certification and the administrative burden of complying with the Acts.

Despite these challenges, there are also opportunities for collaboration and partnerships between African governments and/or private companies and EU companies in the green hydrogen industry. European companies have expertise in green hydrogen production and certification that could be valuable for African producers seeking to comply with the Acts. Collaborative partnerships could also provide access to financing and support from EU institutions for these projects in Africa - as we have already seen with some of the partnerships that have been announced.

Moreover, by partnering with EU companies, African governments and/or companies could potentially leverage their access to the EU market to increase the value of their green hydrogen exports. Through collaboration, African countries could also potentially accelerate the development of their green hydrogen industries and contribute to the global effort to reduce greenhouse gas emissions.

Some of the policy and legislative imperatives for Namibia and South Africa to maximise the potential benefits of the Acts for their green hydrogen aspirations are outlined below.

A clear policy and regulatory framework for green hydrogen

Both Namibia and South Africa have developed national hydrogen strategies that prioritise the development of green hydrogen and set targets for its production and export.

The regulatory framework for the green hydrogen industry needs to be developed to ensure compliance with international standards and to promote investor confidence. Harmonisation of regulations between Namibia and South Africa will be important for promoting regional cooperation and reducing transaction costs for investors.

In this regard Namibia has begun a parliamentary process for the adoption of a **Synthetic Fuels Act** that intends to define standards that conform to international guidelines to reduce operational uncertainty for developers and set quality levels to comply with international export market requirements.

As part of its **Hydrogen Society Roadmap** and the draft **Commercialisation Strategy**, South Africa has also identified the legislative enablers that will be required to make green hydrogen a reality for both the export and domestic markets.

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Investment protection and infrastructure development

Adequate infrastructure including renewable energy sources and transport infrastructure is necessary to support the development and export of green hydrogen or its derivative products.

Policies to attract foreign investment, such as investment protection agreements, will be important to stimulate investment in the green hydrogen industry.

In line with this, the Namibian Government has indicated that it intends to establish a **common use infrastructure (CUI) for the first large-scale hydrogen projects** as part of the Southern Corridor Development Initiative as this will de-risk projects and accelerate the scale-up of green hydrogen production.

The potential exist for investors in Namibia and South Africa to be able to rely on cross-border CUI, which could be the catalyst for deeper

integration of the areas around **Boegoe Bay in South Africa and Lüderitz in Namibia** in order to make Southern Africa a cost-effective hub for the production of green hydrogen or its derivative products.

Building a skilled workforce for the green hydrogen industry

Developing a skilled workforce will be important for the success of the green hydrogen industry in Namibia and South Africa. Both countries will need to develop training programmes and education systems to ensure a pipeline of skilled workers for the industry.

Collaboration with universities and research institutions will also be important for developing new technologies and building a knowledge base for the industry. In this regard the private sector and academic institutions have started developing training and academic programmes to build or expand the skills of the current workforce as part of a much broader just energy transition strategy.

Conclusion

The Acts have significant implications for Namibia and South Africa's green hydrogen plans. By complying with the Acts, both countries can access the EU market and benefit from partnerships with EU companies. However, implementing the Acts presents challenges and requires a strong policy and regulatory framework, investment protection, infrastructure development, and building a skilled workforce. It is crucial for Namibia and South Africa to address these considerations to capitalise on the opportunities presented by the EU green hydrogen market and accelerate the development of their green hydrogen industries. Collaboration and partnerships between African and EU companies can promote sustainable development and economic growth in Africa while tackling the global climate change crisis.

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