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Call for an immediate assessment of the impact of the Delegated Act establishing the requirements for the share of renewable electricity in RFNBO production

The European Fertilizer's industry calls for **an urgent evaluation of the impact of the Delegated Act establishing the requirements for the share of renewable electricity in RFNBO production** ('Additionality' Delegated Act).

The RED III directive mandates that RFNBOs must account for at least 42% of hydrogen used in the industrial sectors by 2030, and at least 60% by 2035 (excluding oil refining industry, which has a separate target). **The RED industry targets have the most significant impact on sectors with high hydrogen consumption. The Fertilizer industry**, and more specifically the ammonia plants within it, **is one of the leading producers and consumers of hydrogen in Europe** (40% of total, 90% excluding oil refineries) **and is therefore the most impacted industrial sector by the very ambitious RFNBO industry targets**. Ammonia producers, particularly in Member States with little or no other hydrogen consumption, bear a disproportionate share of this requirement. This imbalance creates a substantial burden on ammonia production facilities, which are then more exposed to competitive disadvantages. RFNBO-hydrogen/ammonia production is still in its early phases of development and available volumes are very limited. Scaling up the production of RFNBOs is crucial to decarbonize the fertilizer sector while ensuring strategic European food security. Yet the current provisions of the RFNBOs Delegated Acts are creating unintended obstacles.

Currently, strict and complex RFNBO rules, particularly regarding requirements for additionality and temporal correlation and Power Purchase Agreements (PPAs), constrain renewable energy

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resources of transient nature at scale. These rules create operational inefficiencies, increase costs, and limit market opportunities, thus hindering project development and investment. **Introducing more flexibility to RFNBO conditions is essential to reduce complexity and costs, ensuring broad and cost-effective adoption.**

While the European Commission is mandated to review the RFNBO rules by July 2028, the current investment bottlenecks necessitate an earlier revision of the 'Additionality' Delegated Act. A 2028 review may provide more data, but new projects are unlikely to be operational by then if the final investment decision (FID) has not been made. Currently, no large-scale projects are in FID, and some have been cancelled. **Therefore, expediting the review process to 2025 would facilitate timely enhancements and efficient implementation, aiding the decarbonization of European food production and fostering a clean hydrogen market to achieve EU's climate goals by 2030**.

Low-carbon hydrogen is an effective way to decarbonize the Fertilizer sector in a short/medium timeframe, especially when renewable electricity is unavailable and not price competitive. In particular, low-carbon ammonia production is uniquely well suited for CCS, given that fertilizer producers currently already capture a pure CO_2 stream from their process. In case of already existing ammonia plants specifically, CCS is an affordable way to rapidly and meaningfully cut emissions, while RFNBO infrastructure is being built. Therefore, the production of ammonia from electrolysis and the use of CCS/U technologies must be seen as complementary approaches for our industry to be able to reach carbon neutrality. Lack of incentives for low-carbon hydrogen's production, coupled with the too restrictive RED industry targets and requirements, could risk overlooking its potential for decarbonizing European industry, strengthen strategic autonomy and address disparities among Member States.

➢ Expedite the Review Process

The EC's review of RFNBO rules in 2028 comes too late to resolve the current investment barriers. We propose:

1) Advancing the review process to **deliver an assessment report by 2025**, focusing on the impact of strict criteria on investment decisions and project development at a sector-level. A sector-specific review would ensure that risks are addressed appropriately across different sectors with different realities. For example, in the transport sector, the Renewable Energy Directive (RED) and FuelEU Maritime regulation set targets for both fuel producers and consumers, creating a premium market for sustainable fuels. This dual-target approach aligns market demand and supply. However, the fertilizer sector lacks similar mechanisms, which hinders the development and adoption of renewable hydrogen, transferring the financial risk of a PPA to the off-taker.

2) The critical pain points identified should lead to **targeted legislative changes**. Without timely legislative adjustments, , there will not be enough RFNBOs available, and thus, meeting the RFNBO targets from the industry and transport sector will be difficult. Additionally, the EU risks creating an environment where investment capital is redirected to less-regulated regions, leading to carbon leakage and threatening the level playing field and food security.

➢ A targeted revision of the Additionality' Delegated Act should consider, but not be limited to, the following elements:

1) Postponement and extension of Additionality Criteria

The additionality requirement limits substantially the amount of renewable energy resources available for RFNBOs producers. While the rational beyond the principle is understandable, in this early phase of RFNBOs uptake, providing clear, achievable rules will significantly lower risks and unlock funding. Therefore, Fertilizers Europe strongly support the request by German Minister Robert Habeck to **postpone the phase-in of the additionality criteria to at least 2035**.

In addition, **the length of the additionality requirement should be reconsidered.** In certain regions, 36 months is too restrictive due to uncertainty about the grid-connection processes, permitting and planning of infrastructure.

3) Temporal Correlation to be kept at a monthly basis

Hourly temporal correlation between renewable energy production and RFNBO generation creates operational and financial inefficiencies. These constraints undermine the business case for investments by reducing electrolysers RFNBO-compliant load factors. Electrolysers are capital-intensive, and their economic viability depends heavily on operating at high utilisation levels. Forcing electrolysers to closely follow the intermittent generation of renewable assets significantly reduces their efficiency and raises the levelized cost of hydrogen. Furthermore, this constraint limits electrolysers' ability to support grid balancing by operating flexibly in response to renewable energy availability. Industrial projects, which rely on a steady supply of hydrogen, face additional hurdles as strict temporal requirements limit their capacity to use grid-connected renewable energy, making it difficult to meet continuous demand. To address these challenges, **we recommend to reconsider the current temporal correlation framework. Maintaining monthly temporal correlation beyond 2029 would allow greater operational flexibility for electrolysers while supporting the integration of renewable energy.** Without such adjustments, hourly correlation risks undermining the economic and practical feasibility of RFNBO production, delaying heavy industry decarbonisation efforts and diminishing the role of hydrogen in supporting renewable energy systems."

3) Incorporating low-carbon power purchase agreements (PPAs) in scope

A technology-neutral approach would allow the market to determine the most competitive and efficient decarbonization methods. Ultimately, expanding PPA options would increase the potential market share for both RFNBO and low-carbon energy sources. Therefore, **we recommend adding low-carbon PPAs in the scope, both for the RFNBO Delegated Act as well as for the Low-carbon Fuels Delegated Act.**

4) Investment aid / operational aid for electricity generation should not hinder the RFNBO status

Currently, installations generating renewable electricity cannot receive national subsidies if they are to qualify as RFNBO-compliant sources. **Removing this restriction could accelerate market**

development. Reports from the European Court of Auditors and ACER indicate that industry targets are unlikely to be met by 2030. As the clean hydrogen market is still in its early stages, national support is crucial for market growth and should not impede the RFNBO status of a project. **As part of the Additionality criteria under Article 5.b), the condition on investment aid / operational aid should also be postponed until 2035.**

5)Financial and physical PPAs should be treated the same.

To reduce administrative costs and increase the ability to mitigate market risk, **virtual/financial PPAs should be allowed, assuming all other criteria are met.** This would allow players to comply with RFNBO-standards in regulated markets and in industrial grids where physical PPAs are not possible.

The RFNBO 'Additionality' Delegated Act strict rules are already having an alarming effect on investments in green hydrogen infrastructure. By accelerating the review process and adopting more flexible, pragmatic regulations, the EU can restore investor confidence and unlock the capital needed to scale the hydrogen economy and enable progress toward a sustainable and competitive decarbonized fertilizer industry.

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