

## Commentary

20 June 2023

### ***State Aid: Commission Approves €158 Million Polish Measure to Support LOTOS Green H2 in the Production of Renewable Hydrogen***

The European Commission's recent approval of a €158 million Polish measure to support LOTOS Green H2 sp. z o.o marks a significant milestone in the advancement of renewable hydrogen production in Poland. This commendable measure, fully compliant with EU State aid rules, demonstrates the EU's unwavering commitment to the Hydrogen Strategy and the ambitious objectives outlined in the European Green Deal. By reducing reliance on Russian fossil fuels and propelling the transition towards a greener economy as envisioned in the REPowerEU Plan, this initiative paves the way for a more sustainable future.

Poland's approved measure entails a direct grant of €158 million, which will enable the installation of a 100 MW electrolyser, a 50 MW photovoltaic power plant, and a 20 MWh battery storage facility. Its primary objective is to facilitate the production of renewable hydrogen through the process of water electrolysis, harnessing electricity to decompose water into oxygen and hydrogen gas. This renewable hydrogen will play a pivotal role in fuel production processes at PKN Orlen's refinery in Gdańsk, thereby fostering a greener and more sustainable energy ecosystem.

By embracing this measure, Poland aims to curtail the emission of approximately 2.5 million tonnes of carbon dioxide throughout the project's lifespan. Furthermore, the reliance on electricity generated solely from renewable sources during the hydrogen production process will maximize the reduction of greenhouse gas emissions, underscoring Poland's commitment to combatting climate change.

The European Commission's meticulous assessment of the measure, conducted in adherence to EU State aid rules, notably Article 107(3)(c) of the Treaty on the Functioning of the European Union and the Guidelines on State aid for climate, environmental

protection, and energy 2022 (CEEAG), concluded that the measure perfectly aligns with crucial EU policy initiatives. By wholeheartedly supporting the European Green Deal, the EU Hydrogen Strategy, and the REPowerEU Plan, this measure effectively bolsters the development of renewable hydrogen production.

The Commission aptly recognized the "incentive effect" of the aid, emphasizing that LOTOS Green H2 would not undertake investments in renewable hydrogen production without the invaluable support from the public sector. Additionally, the Commission determined that the measure's impact on competition and trade within the EU is minimal. The level of aid provided is proportionate to the financing needs of the project, and robust safeguards have been put in place to mitigate any undue distortions of competition. In the event of extraordinary success, the beneficiary will dutifully return a portion of the aid received through a claw-back mechanism, while also sharing the knowledge gained from the project with other players in the European industry. Regular monitoring will be undertaken to ensure substantial progress towards the project's goals of reducing CO2 emissions.

In conclusion, the approval of this commendable Polish measure underscores the EU's dedication to fostering the production of renewable hydrogen and realizing its ambitious climate and energy targets. By providing substantial financial support to LOTOS Green H2, Poland actively contributes to the transition towards a more sustainable energy sector, significantly diminishing reliance on fossil fuels. The Commission's rigorous assessment process ensures that the measure strikes a harmonious balance between promoting competition, achieving environmental objectives, and supporting economic development. As Poland proceeds with the implementation of this measure, it sets a positive example for other Member States, inspiring them to advance their renewable energy agendas within the framework of EU State aid rules. We wholeheartedly support this momentous initiative and look forward to witnessing its resounding success in driving Poland's renewable energy landscape towards a greener and more prosperous future.