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Utilities | Europe

Results from the 1st European Hydrogen Bank Auction

Key Takeaways

- Results from the the European Union's first renewable hydrogen auction were announced today.
- 1.5 GW of electrolysis capacity has been awarded.
- The average price premium awarded came at €0.46/kg (for 10 years), which looks very low.

Very low price premium granted. The 7 awarded projects have obtained price premiums of €0.37-0.48/kg, significantly below the cap of €4.5/kg. While a low price premium can suggest good cost competitiveness from a technology, in this specific case, and given our views on the cost of hydrogen (still very high, see [Clean Hydrogen – 2024 Outlook: Fundamentals Uncertain; Rates & Project Delivery Are Key Now](#)), we think the low price premiums awarded today are mainly the result of a high level of competition in the auction (132 bids). We note that the price premium awarded is meaningfully lower than what could potentially be offered in the US via the production tax credit mechanism (\$3/kg).

1.5 GW of electrolyser capacity awarded. 7 projects totalling 1.5 GW have been awarded €720mn of subsidies over 10 years in the auction. Total awarded capacity is significantly higher than we expected, despite a similar subsidy budget (€720mn awarded out of a total budget of €800mn). We think this is due to the low price premium obtained by the various projects. We show the 7 awarded projects below in [Exhibit 1](#).

Who is involved in these projects? At this stage, we know that the main winner (Catalina project) is co-developed by CIP, Enagas Renewable and Fertiberia. CIP is also one of the developers for the other 500 MW project winner (MP2X). At this stage, we have not seen any evidence as to whether or not electrolyser manufacturers under our coverage (NEL, ITM Power) would be involved on these winning projects.

When will the next auction be? We expect the next EU renewable hydrogen auction to be launched in autumn 2024, with slightly different rules to the first one (a ceiling price premium of €3.5/kg vs €4.5/kg) and 3 years for developers to bring projects online after the grant agreement signature (vs. 5 years currently).

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UTILITIES

Europe

Industry View

Attractive

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Exhibit 1: 7 projects totalling 1.5 GW of electrolysis capacity have been awarded subsidies in the 1st European Hydrogen Bank auction

Project	Coordinator	Country	Bid volume (kt_H2/10 yrs)	Bid capacity (MWe - Mega watts electric)	Expected GHG avoidance (kt_CO2/10 yrs)	Bid price (EUR/kg)
eNRG Lahti	Nordic Ren-Gas Oy	Finland	122	90	836	0.37
El Alamillo H2	Benbros Energy S.L.	Spain	65	60	443	0.38
Grey2Green -II	Petrogal S.A.	Portugal	216	200	1477	0.39
HYSENCIA	Angus	Spain	17	35	115	0.48
SKIGA	Skiga	Norway	169	117	1159	0.48
Catalina	Renato Ptx Holdco	Spain	480	500	3284	0.48
MP2X	Madoquapo wer 2x	Portugal	511	500	3494	0.48

Source: European Commission

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Total	3,815		717			1594	

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EDP Energias de Portugal SA (EDP.LS)	O (09/04/2023)	€3.58
EDP Renovaveis (EDPR.LS)	O (09/04/2023)	€13.10
Enagas SA (ENAG.MC)	U (09/15/2020)	€13.90
ENGIE (ENGIE.PA)	O (10/19/2020)	€16.25
Hidroelectrica SA (ROH2O.BX)	U (01/22/2024)	RON 133.80
NEL ASA (NEL.OL)	E (12/06/2023)	NKr 5.14
Neoen SA (NEOEN.PA)	E (04/04/2023)	€29.66
Redeia (REDE.MC)	E (04/28/2022)	€15.73
Solaria Energia y Medio Ambiente SA (SLRS.MC)	E (02/22/2024)	€9.76
Veolia (VIE.PA)	O (10/18/2022)	€29.02
Volitalia SA (VL TSA.PA)	E (07/18/2022)	€8.12
Harrison Williams, CFA		
Centrica (CNA.L)	E (09/27/2023)	131p
Drax Group Plc (DRX.L)	O (03/25/2022)	526p
Elia (ELI.BR)	O (04/05/2024)	€91.40
Encavis AG (ECVG.DE)	E (03/14/2024)	€16.91
Fortum Oyj (FORTUM.HE)	O (08/09/2023)	€12.36
Verbund AG (VERB.VI)	U (08/09/2023)	€70.90
Robert Pulley		

E.ON (EONGn.DE)	E (03/15/2024)	€12.47
Endesa SA (ELE.MC)	U (12/11/2023)	€17.14
ENEL (ENEL.MI)	O (03/26/2024)	€6.20
Iberdrola SA (IBE.MC)	O (03/07/2024)	€11.66
National Grid plc (NG.L)	O (01/06/2023)	1,054p
Naturgy (NTGY.MC)	++	€23.94
Orsted A/S (ORSTED.CO)	O (11/10/2020)	DKr 392.50
RWE AG (RWE.G.DE)	O (11/29/2019)	€33.00
SSE (SSE.L)	O (11/03/2020)	1,677p
Sarah E Lester, CFA		
A2A SpA (A2.MI)	E (09/08/2022)	€1.87
ERG SpA (ERG.MI)	U (12/11/2023)	€25.62
Italgas SpA (IG.MI)	U (09/25/2023)	€5.25
Pennon Group (PNN.L)	E (04/03/2023)	677p
Severn Trent (SVT.L)	O (11/04/2022)	2,480p
Snam SpA (SRG.MI)	U (03/16/2021)	€4.33
Terna - Rete Elettrica Nazionale SpA (TRN.MI)	U (12/06/2022)	€7.55
United Utilities Group PLC (UU.L)	O (07/05/2023)	1,045p

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.