



About bp

bp is a leading global energy company – we provide heat, light, and mobility solutions for customers all over the world. bp has operated in the Netherlands ('bp NL') for more than 50 years.

Our purpose is to reimagine energy for people and the planet. In 2020 we set our ambition to become a net zero company by 2050 or sooner, and to help the world get to net zero. While we're mostly in oil and gas today, we've increased our global investment in our lower carbon, convenience stores and power trading businesses (what we call our 'transition growth engines'). Our underlying strategy will allow us to integrate our existing capabilities as we work to invest in today's energy system, whilst helping to build out tomorrow's.

Hydrogen is set to provide a low carbon energy for activities and processes that are difficult to electrify – especially in industry: iron, steel and chemicals for high-temperature processes. It has the potential to help to decarbonize long-distance transportation in marine, aviation and heavy-duty road transport.

It is on this basis that we are happy to respond to this consultation, and we hope our response can help build a common understanding of the opportunities and challenges ahead, in aid of the Netherlands' national climate ambitions.

Introduction

- bp NL welcomes the Dutch government's ambitions to accelerate climate action and understands this proposal is meant to incentivize the use of RFNBO hydrogen in the industry sector.
- bp NL appreciates that the Ministry of Climate and Green Growth published this consultation simultaneously with the Renewable Energy Directive (hereafter: 'RED' or 'RED III') transport consultation which has been published by the Ministry of Infrastructure and Water Management, which allows us to analyse more fully the impact of Dutch RED III implementation on our business.
- bp NL highly values the opportunity offered by the Ministry of Climate and Green Growth to contribute to the forthcoming legislation and supporting regulation.

General commentary

- Refineries are included under the definition of industry under the RED III. However, they have a special status when it comes to the consumption of RFNBOs and how they are accounted for under the different targets of the revised RED. According to the European Commission's RFNBO RED Targets Guidance, published in September 2024, most fuels produced in refineries are used as transport fuels and are therefore counted toward the renewable uptake targets in the transport sector. Additionally, refineries without dedicated petrochemical processes produce a small volume of industrial products as by-products of their primary activity, which involves the consumption of hydrogen for transport fuel production. Given this, and to avoid unnecessary administrative complexity, **bp strongly advises the Ministry to fully place refineries under the transport target rather than the industry target at least until the rollout of RFNBO offtake in other industries is fully implemented.**
- bp acknowledges and supports the view that the RFNBO hydrogen market needs incentives to scale up and mature. However, considering the nascent nature of RFNBO hydrogen market, there are certain enabling conditions which are essential to implement before imposing offtake obligations onto the industry. **Essential conditions include adequate funding support for the industrial off-taker, preserving industry competitiveness, adequate infrastructure development, initiatives for renewable product labelling and the development of a transparent and compatible certification framework.**
- To preserve industry competitiveness, it is essential to address the impact of import and export of industrial products produced with hydrogen to avoid the risk of carbon leakage, especially because many industrial products produced with hydrogen are, or will be, exported. The associated costs with an [RFNBO] obligation cannot therefore be passed through to the customer. Therefore, whilst bp generally welcomes mandates, in the short-term **we recommend avoiding imposing an RFNBO hydrogen mandate on the industry.** To promote the use of RFNBO hydrogen in industry, **we recommend supporting potential industrial RFNBO H2 off-takers through the implementation of funding mechanisms and the development of a green labelling system as per the recommendations of the European Commission.**
- Other essential conditions required before imposing an RFNBO obligation at industrial sector level, are to have stable access to a hydrogen backbone *and* storage. **Without access to hydrogen infrastructure and storage, industrial off-takers will be unable to reliably and consistently meet their RFNBO obligation.**
- **bp supports the creation of an industrial credit system comparable to the transport credit system.** However, the tradeable value of industrial credits will remain uncertain in the short term due to the market's small size, lack of liquidity, and significant unpredictability, likely posing too great a risk to bear for individual industry companies. Furthermore, while other EU Member States appear not to burden their industry with individual obligations, doing so in The Netherlands distorts the level playing-field for industry products and applicable support mechanisms to incentivize the use of green hydrogen. The costs for the Netherlands-based industry will be too high to bear.
- **bp therefore proposes not to pass through the industry obligation resting on the EU Member States to individual companies until stable market conditions have been reached.** A re-evaluation of the state of the hydrogen market could take place in, for example, 2028, upon which potential obligations could be reviewed.

Questions and considerations

Method of calculation in refineries

The method of calculation of the hydrogen falling under industry scope versus transport target in refineries is thus far unclear. One of the main questions is whether calculation will take place at site level, at unit level or based on the use of the final products produced in a refinery. To increase the reliability and validity of the scope of the mandate, bp suggests, in case an obligation is set at refinery level, to be able to do unit level calculations. This methodology is the most reliable way to quantify the hydrogen volume consumed by different processes. Furthermore, this method will not unfairly penalize bio coprocessing in refineries, which a refinery level method of calculation would do. A much higher percentage of hydrogen is required for treatment of feedstock of biological origin compared to fossil feedstocks. Since these products will fall under the transport mandate, this would result in higher calculation of industry-based hydrogen compared to where the physical molecules end up.

Distribution of incentives

A barrier to full understanding of the impact of this proposed legislation is the lack of defined supportive incentives for hydrogen use. The 'Subsidieregeling grootschalige productie volledig hernieuwbare waterstof via elektrolyse' (OWE subsidy) provides clarity for hydrogen producers yet does not guarantee that the potential off-taker of green hydrogen will see the effects of the subsidy as well. For example, it is possible that OWE-subsidised RFNBO hydrogen will cross over to Germany, rather than going to the industrial clusters in The Netherlands, given the current construction planning of the hydrogen backbone. Furthermore, given the Ministry's recent communication that green hydrogen falling under the mandate is not eligible for support on the off-taker side, this potentially creates an uneven playing-field with industry in other Member States. It would be preferable to have sight on the full spectrum of incentives prior to setting a mandate for industry as per European Commission recommendations on RFNBO RED targets.

Compliance and penalties

The proposed legislation states that non-compliance can be met with significant, but not yet fully defined, fines and/or coercive measures. While this system works well in reaching the transport targets of the Renewable Energy Directive, it must be stressed that biofuels operate in a much more liquid and global market than RFNBO hydrogen. Given the immaturity of the RFNBO hydrogen market, bp believes that the absence of clear penalties or buy-outs at this stage introduces uncertainties for RFNBO hydrogen producers and off-takers. Allowing the market to work with a penalty or buy-out price increases the certainty of the business case of using RFNBO hydrogen, which will help electrolyser projects reach operational phase. **bp therefore suggests that the Ministry incorporate either a buy-out or a penalty at a higher level than the production cost of RFNBO used (or HWI price), to provide much needed guidance to the market.** This system could be temporary until the green hydrogen market matures, upon which it could be changed to the penalty system as proposed in the current proposal.



Interactions with other policy fields

The Ministry of Infrastructure and Water Management is consulting on the RED III transport implementation simultaneously with this consultation. A key difference between both consultations is that in the case of transport mandates, these rest on the fuel suppliers instead of on industry. Placing such obligations further down the chain allows for costs to be able to be passed through to the end customer. That system in itself has shown over the past years to create appropriate incentives to decarbonise transport whilst keeping it affordable for end consumers.

Closing remarks

We sincerely hope this input will aid the Ministry in working out the further details of both the proposed law and the subsequent decision. In case of questions or requests for clarification on the content of this paper, please do not hesitate to reach out to bp.

We look forward to continuing engagement through the forthcoming consultations on the implementation of the RED III industry targets in The Netherlands.