



New political agreement to develop and promote Power-to-X



Jacob Sparre Christiansen
Partner, Head of Energy & Natural Resources



Camilla Bjørnslev Paulsen
Attorney, Director

On 15 March 2022, a broad majority in the Danish Parliament reached a new political agreement to develop and promote Power-to-X (PtX)

The agreement includes the following main elements:

Building up electrolysis capacity

There's agreement among the Danish political majority that Denmark must work to meet the ambition for 4-6 GW electrolysis capacity by 2030. In this relation, it is emphasised that hydrogen must be demonstrated as renewable by being produced with renewable energy and consistent with the relevant EU standards. During 2022, the European Commission is expected to present a proposal for a certification system for CO₂ uptake.

Strategy for expanding renewable energy

Danish Government will present a strategy for expanding renewable energy to ensure that Denmark becomes a net exporter of green energy by 2030.

DKK 1.25 billion through a PtX tender

The climate agreement for energy and industry etc. of 2020 included a decision to set up a funding pool to Power-to-X plants through a government tender. The tender aims to support the industrialisation and escalation of PtX production in Denmark and thereby to reduce costs associated with green hydrogen production. The tender is expected to be carried out as market-based, aiming at the least costly and largest hydrogen production within the budget. Expectations are that the successful tenderers are those submitting the lowest premium bids until the budget is exhausted. The support will be granted as operational support and payable according to the quantity of produced green hydrogen. For hydrogen production to be eligible for support, the hydrogen must be produced using renewable energy and comply with the EU documentary requirements for green PtX fuels. The support is expected to be granted over a 10-year period and allocated in one single bidding round if sufficiently attractive bids are received. A market dialogue will be conducted in connection with the tendering procedure. The Danish Energy Agency will work for the call for tenders being soonest possible. This will, however, not be until 2023 at the earliest.

Investment support scheme to scale up innovative green technologies

To supplement the PtX tender, the Government is in dialogue with the European Commission on allocating DKK 344m of the REACT-EU initiative under the EU Recovery Package and the Just Transition Fund to set up a new investment support scheme to scale up innovative green technologies.

Green transition of air traffic and other transport

The Government plans to present a proposal for green transition of air traffic in 2022 and to present further proposals and strategies in 2022 and 2023 for sectors in which PtX can potentially play a major role, such as shipping and some heavy road transport etc.

Direct lines

A direct line is an electricity connection between an electricity producer and an electricity consumer. There's agreement among the political majority to enable the construction of commercially owned direct lines for electricity consumers and producers of a 10 kV voltage level and above. The construction and operation must be within the applicable planning, environmental and technical requirements for constructing an electricity grid. It has been agreed that the authorisation for constructing direct lines must be an exception to the general rule that electricity must be transported and distributed through the collective electricity grid.

Geographically differentiated consumption tariffs

Danish Energinet and the grid companies are expected to be provided with the option to geographically differentiate consumption tariffs for large electricity consumers connected to the electricity grid at a 10 kV voltage level and above. The purpose is to provide a financial incentive for them to choose appropriate locations in the electricity grid, in that, thereby, they can charge lower tariffs in areas with adequate grid capacity or located near an electricity production site. In return, higher tariffs can be charged from consumers located in areas where the grid capacity is under more pressure or located further away from a production site.

Open-door scheme for offshore renewable energy plants

It needs to be decided whether, within the purpose of the framework of the open-door scheme to promote small and near-shore projects, it is relevant to introduce an exception to the scheme's distance limit of 15 km for projects involving PtX plants or another electricity consumption with a direct connection to large offshore wind farms. The completion of an analysis showing the options and consequences in this relation is expected in the first half of 2023.

Local collective tariffing

Associations of grid users, including energy and industry communities, can consume and produce electricity at the same time, thus enabling them to reduce their pressure on the collective electricity grid. The political majority will promote the possibility for tariff solutions to reward local associations of grid users when they create additional value for the electricity grid.

Possibility for establishing a Danish hydrogen infrastructure

There's agreement among the political majority that the two Danish gas infrastructure companies, Energinet and Evida, must be given the opportunity to own and operate hydrogen infrastructure and that dialogues on a potential establishment of a hydrogen infrastructure should be initiated with Germany and some of Denmark's other neighbouring countries. Later in 2022, the Government will present a proposal concerning energy and utilities as well as a briefing paper outlining the regulation of Danish hydrogen infrastructure, including in relation to ownership, financing, operation, etc.

Setting up PtX task force to support Danish hydrogen market and infrastructure

There's agreement among the political majority to set up a PtX task force. The task force is to promote coordination across government authorities and to ensure regular dialogues with the sector and municipalities etc. The purpose of the task force is to identify and counter the regulative and legislative barriers for establishing a new Danish utilities sector for PtX and to strengthen the framework conditions for production, transport, and use of hydrogen and other PtX products in Denmark. The task force is also to ensure uniform rules on the certification of green hydrogen and to develop tools to promote socio-economically appropriate locations of PtX plants and the potential use of surplus heat.

The political agreement is now to be translated into specific legislative initiatives.

We at DLA Piper keep close track of the developments. If you have any questions relating to the development and establishment of PtX, please do not hesitate to contact us.

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