Making early hydrogen projects investable

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Low carbon hydrogen has assumed a central role in the net zero plans of the UK, the EU and others. But how can early hydrogen projects be made investable?

Low carbon hydrogen is set to play a key role in decarbonising key manufacturing sectors, road freight, shipping and aviation; balancing renewables-heavy power grids; and heating homes and other buildings within our carbon budgets. Increasing carbon prices will help to incentivise demand for low carbon hydrogen in some sectors. But, as with renewable electricity generation technologies, elements of public financial support will still be needed to make it an investable propositions at scale in the near term.

In a new paper co-authored with Frontier Economics, we explore the contractual and regulatory infrastructure that would support a first wave of hydrogen projects in the UK's CCUS clusters. We look at the commercial relationships between parties in the value chain, and the role of public support in investability. We draw some conclusions on the process which is likely to be required to ensure the right mix of commercial relationships and public support is in place.

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