40. Welcomes the Commission’s consideration of various options for incentives on the demand side; agrees with the Commission that demand-focused policies and clear incentives for the application and use of hydrogen in end-consumer sectors in order to trigger the demand for hydrogen – such as quotas for the use of renewable hydrogen in a limited number of specific sectors, European Investment Bank guarantees to reduce the initial risk of co-investments until they are cost-competitive, and financial tools, including Carbon Contracts for Difference (CCfD) for projects using renewable or low-carbon hydrogen – could be considered for a transitional period to promote decarbonisation through hydrogen where that is vital in order to preserve the competitiveness of end users; notes the need to ensure that the compensation remains proportionate and to avoid the duplication of subsidies for both production and use, the creation of artificial needs and undue market distortions; calls for the swift development of a pilot scheme for CCfD, in particular for clean steel; highlights that public procurement of sustainable solutions, such as green steel for construction or renovation, can also contribute to tangible and predictable demand; stresses that

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demand-focused policies should be consistent with other policy measures and subject to a thorough impact assessment to avoid negative effects on energy-intensive industries facing international competition; emphatises, furthermore, that these policies should not hamper progress on renewable energy targets by making Members States choose between having more renewable energy in grids or using it for renewable hydrogen production;
51. Emphasises that the EU is a leader in the manufacturing of electrolysers and needs to maintain and advance this competitive edge; believes that EU research and development efforts should focus on a wide range of potential new renewable hydrogen sources and technologies, such as hydrogen from photosynthesis, algae or electrolysers with sea water, in order to raise technology readiness levels;