

Investors Call for Credit Support Schemes to Boost Hydrogen Funding

Media Mentions

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Bracewell's **Ro Lazarovitch** recently discussed with *ICIS* the critical role project finance can play in developing hydrogen and supporting this new technology's growth.

"The role of project financing in the hydrogen economy going forward is going to be very important. Project financing allows developers to undertake more or bigger projects for the same amount of equity," said Lazarovitch. "If a developer has one billion dollars of equity it wishes to spend, through project financing it may be able to develop multiple projects or a bigger project costing three billion dollars to construct and commission."

However, financing for large-scale hydrogen projects remains constrained due to the lack of a coherent regulatory framework, a common EU financial ecosystem, insufficient state support and a lack of detailed plans for hydrogen off-takers.

"Some of the key technologies used or proposed to be used for green hydrogen – for example, certain newer and more efficient electrolyzers – are not considered 'established' technologies, which means lenders will require more assurances regarding the performance of these technologies once built," Lazarovitch said.

"This additional risk would normally need to be assumed by the contractors building the technology, the sponsors developing the project or a combination of both. This can be a challenging risk to assume, especially with large projects," he added.

Lazarovitch stressed there are currently no established markets that will pay a premium for green hydrogen, or even blue hydrogen, as opposed to grey hydrogen.

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“Given that green and blue hydrogen are more expensive to produce today, as compared to grey hydrogen, long-term off-take arrangements that ensure the debt can be paid off with credit-worthy counterparties will be required,” he said. “Entering into such arrangements may not always be in the commercial interests of the off-taker, especially in the case of larger projects and very long-term off-take agreements where the expectation is for prices of green and blue hydrogen to come down over time.”

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