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Low-cost Capital Key to Hydrogen Finance

There are several important criteria that stakeholders can focus on when it comes to the development of hydrogen. They include regulation, an enabling infrastructure in the producing country, and the existence of heavy industries that already use molecules to be replaced by green options. Energy security is a potential enabler or accelerator of hydrogen to scale. Access to low-cost renewable resources at scale is the biggest component to ensuring cheaper green hydrogen. On the financing aspect, to achieve reasonable production costs, it is important to have access to low-cost capital and that the financing cost is lower than the equity in broader terms. Identifying de-risking building blocks are important for green hydrogen projects to attract low-cost capital and financing.

Replacing Natural Gas Ultimate Frontier for Hydrogen

The ultimate end use for hydrogen that would be difficult to deploy would be to replace natural gas in its most efficient uses. The production of electricity in gas turbines being replaced by hydrogen is possibly the most economically challenging - the ultimate frontier for hydrogen. Green molecules are needed for heating, replacing grey hydrogen and other end uses. The renewable electron is crucial and will continue to hugely expand on a global scale. It is easy to implement and is indispensable to producing green hydrogen. Renewable electricity, along with decreasing costs of storage, should take over as much as possible existing electricity uses.

Middle East Can Follow European Taxonomy

In the absence of carbon pricing policies in the Middle East, producing green hydrogen within the region in compliance with the European taxonomy is highly encouraging. The region could host greenfield heavy industries using hydrogen, and then export the green products. These schemes are being explored in Saudi Arabia, Egypt, and Abu Dhabi to some extent. In essence, it is extending the European regulations into zones that could then sell products in Europe. ■

**Paraphrased Comments*



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