



EIC INSIGHT REPORT



Europe Hydrogen

August 2026

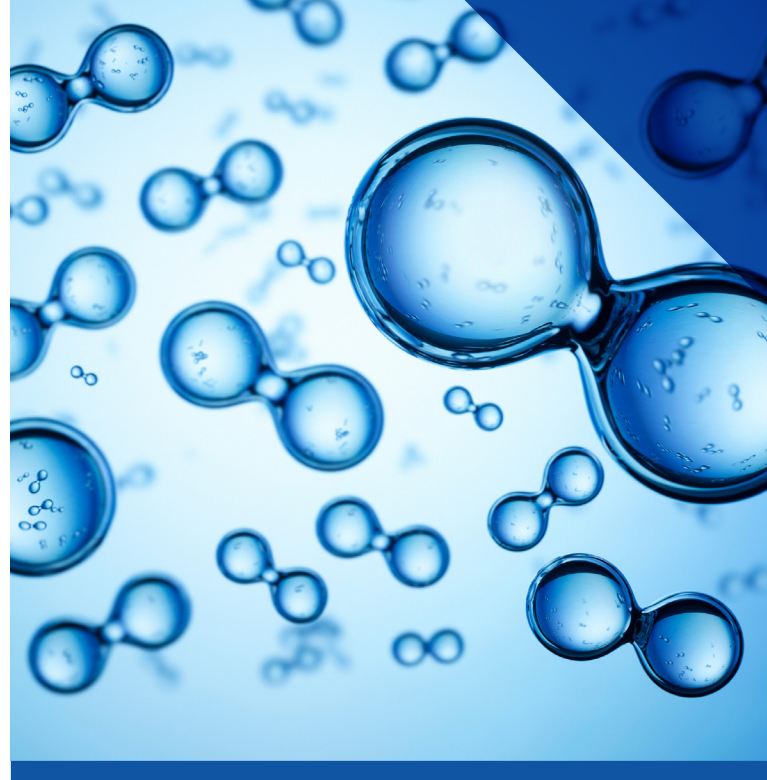


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Executive summary

Hydrogen is expected to play a critical role in Europe's energy transition by supporting the decarbonisation of hard-to-abate sectors including chemicals, refining, steel, heavy transport and maritime. The EU, UK and leading European markets have established ambitious hydrogen targets for 2030, with the EU seeking 40GW of electrolyser capacity and 20mtpa of renewable hydrogen supply split between domestic production and imports. The European Commission identifies renewable hydrogen as a key component of the EU's net-zero strategy and confirms the REPowerEU ambition to produce 10 million tonnes and import 10 million tonnes of renewable hydrogen by 2030.



Despite the scale of ambition, the European hydrogen market is not progressing quickly enough to meet these targets. Hundreds of projects have been announced since 2020, but most remain in the feasibility stage. Only a limited number have reached operation or final investment decision, while a growing share have been cancelled or placed on hold. High production costs, weak offtake demand, delayed regulatory clarity, insufficient renewable electricity availability and the slow development of transport and storage infrastructure all remain key barriers.

Germany currently stands out as Europe's leading hydrogen market. It has a 10GW electrolyser target, strong industrial demand, significant funding support and a planned 9,000km Hydrogen Core Network designed



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to connect domestic production, storage and imports. However, Germany's import ambitions depend heavily on cross-border infrastructure and supply from regions such as North Africa, Scandinavia and neighbouring EU markets, many of which are also facing delivery delays. Spain has substantial potential due to its renewable energy base and a 12GW electrolyser target, but most projects remain in feasibility, and the country must accelerate FID and construction to become a major producer. The UK has a large project pipeline and important infrastructure plans through Project Union, but delays to the revised hydrogen strategy and Hydrogen Allocation Round awards are undermining confidence. Scandinavia is emerging as a production and export region, with Denmark and Finland especially important to future German and European supply, while Norway and Sweden focus more heavily on domestic decarbonisation and industrial use.

Infrastructure is a decisive factor for market development. Major pipeline schemes such as Germany's Hydrogen Core Network, the SouthH2 and Sunshyne corridors, Spain's hydrogen backbone, the UK's Project Union and Scandinavian export routes are intended to connect production hubs with industrial demand centres. However, many of these projects remain in feasibility or early development. Unless infrastructure is delivered in parallel with production capacity, hydrogen supply will struggle to

reach end users efficiently, limiting demand creation and delaying industrial decarbonisation.

The supply chain assessment indicates that Europe has strong capability in engineering services, EPC and electrolyser manufacturing, especially across Germany, the UK and Spain. European electrolyser manufacturing capacity is estimated at around 8.49GW/year, suggesting that manufacturing capacity is not the main near-term constraint. Instead, weak project execution and limited FIDs are creating short-term oversupply, shorter lead times and pressure on manufacturers. The formation of Electrolyser4Europe reflects growing concern among manufacturers that policy ambition has not yet translated into sufficient demand, clear regulation or bankable projects.

Overall, Europe has the policy framework, project pipeline, industrial base and strategic need to develop a major hydrogen economy, but implementation is falling behind ambition. The sector's immediate priority is not simply announcing more targets but converting projects into investable propositions. This requires stronger offtake mechanisms, faster permitting, clearer regulation, coordinated infrastructure planning, targeted funding and accelerated renewable electricity deployment. Without these measures, Europe is unlikely to meet its 2030 hydrogen targets, and the role of hydrogen in industrial decarbonisation will be delayed.



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