

INFORMATIVE NOTE

Large-scale production will be key to enabling heavy industry's transition to sustainable operations

Iberdrola and H2 Green Steel sign 2.3 billion euros green hydrogen deal

- The companies will build a 1,000 MW plant for the production of green hydrogen
- The new plant will produce and fuel with green hydrogen a direct steel ore reduction furnace with a capacity to produce 2 million tonnes of pig iron, which would allow the production of green steel with a 95% reduction of CO₂ emissions

Iberdrola takes another step towards decarbonisation. Iberdrola and H2 Green Steel have signed an agreement to build a green hydrogen plant with an installed capacity of 1,000 MW and an estimated investment of 2.3 billion euros. The new plant will power with clean fuel a direct steel reduction furnace with a capacity to produce around 2 million tonnes per year of pure green steel, with a 95% reduction in CO₂ emissions.

The site will be located on the Iberian Peninsula, where several possible locations are currently being considered, with the intention of production starting in 2025 or 2026. All locations that H2 Green Steel and Iberdrola are evaluating will have access to renewable energy, as well as all the infrastructure necessary to operate a successful hydrogen, green steel business.

"We are proud and delighted to partner with Iberdrola to scale up green steel manufacturing. Large-scale green hydrogen production will be essential for heavy industry's transition to more sustainable ways of operating. By sharing the common goal of reducing emissions in hard-to-decarbonise industries, starting with steel in Europe, we are taking a truly global and innovative approach to green hydrogen production. Iberdrola brings invaluable experience, technology and know-how, which will enable us to scale up our green steel projects," says Henrik Henriksson, CEO of H2 Green Steel.

"Green hydrogen will be a key technology in the decarbonisation of heavy industrial processes, such as steel production. Innovative projects such as this will help accelerate the commercialisation of larger and more sophisticated electrolyzers, making green hydrogen more competitive. With access to low-cost renewable energy supplies, and a highly skilled workforce, the Iberian Peninsula can play a key role in Europe taking a global lead in the development of this green technology," says Aitor Moso, Iberdrola's director of deregulated business.

The two companies have agreed to build a green hydrogen plant with an electrolysis capacity of 1 GW and a steel ore reduction process capable of producing approximately 2 million tonnes of green steel ore per year. The electrolyser will be jointly operated by Iberdrola and H2 Green Steel. Iberdrola will supply renewable energy to the plant, while the production of green molten steel and all downstream metallurgical processes will be operated and owned by H2 Green Steel. Both companies will also explore the possibility of locating a steelmaking facility capable of producing between 2.5 and 5 million tonnes of green steel plate per year on the same site.

"The project in Boden in northern Sweden has shown that there is a strong demand for green steel from a broad customer base. The collaboration with Iberdrola will strengthen and refine our Boden platform, infrastructure and project execution. With two European locations, we will make an even greater impact, be closer to customers and be able to meet the demand of a growing market. Together with Iberdrola, we are creating a broader European platform for the green hydrogen economy," says Kajsa Rytberg-Wallgren, EVP Head of Business Unit Hydrogen at H2 Green Steel.



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The project will be financed through a combination of public funds, green project financing instruments and own funds. With a budget of approximately €2 billion, the large-scale production of green hydrogen will contribute to the transition of heavy industry towards sustainable operations.

"The partnership with H2 Green Steel expands the range of partnerships we have around the world to maximise the benefits of green hydrogen. We also work with fertiliser producers, oil refineries, transport providers and even whisky distilleries. The challenge of achieving zero emissions requires both vision and action in many industrial sectors. With the development of green hydrogen, companies continue to demonstrate that they have the necessary ambition," says Millán García-Tola, Iberdrola's Global Head of Hydrogen.

The joint venture was created following contacts facilitated by the European CEO Alliance initiative, in which H2 Green Steel and Iberdrola have joined forces with other companies to achieve a zero-carbon future and a more resilient and sustainable Europe. The CEO Alliance supports decarbonisation efforts by identifying potential partnerships, encouraging green investments and deploying projects that advance the development of sustainable economies and societies, in line with the European Green Deal.

A sector with growth potential

The decarbonisation of the steel production industry is a great growth opportunity for Iberdrola, as it could mean an additional demand of around 5,000 TWh/year, equivalent to almost twice the current electricity generation in Europe, as well as 40 million tonnes of green hydrogen. The company is therefore accelerating the implementation of the entire hydrogen value chain.

Ultimately, it is possible to decarbonise steelmaking and there are already several promising alternatives through direct electrification or green hydrogen. With the expected cost reductions from renewables and green hydrogen driven by Iberdrola, green steel could become more competitive, to the benefit of all consumers.

About Iberdrola

[Iberdrola](#) is one of the world's leading energy companies, a leader in renewables, which is spearheading the energy transition to a low-emission economy. The group supplies energy to close to 100 million people in dozens of countries and carries out its renewables, networks and commercial activities in Europe (Spain, the United Kingdom, Portugal, France, Germany, Italy and Greece), the United States, Brazil, Mexico and Australia, and maintains as growth platforms markets such as Japan, Ireland, Sweden and Poland, among others.

With a workforce of more than 37,000 people and assets in excess of €122,518 million, in 2020 it had revenues of more than €33 billion and net profit of €3,611 million. The company contributes to the maintenance of 400,000 jobs in its supply chain, with annual purchases of 14 billion euros. A benchmark in the fight against climate change, it has allocated more than 120 billion euros in the last two decades to building a sustainable energy model, based on solid environmental, social and governance (ESG) principles.