Law no.2 for 2024

Incentives for Green Hydrogen production projects and its derivatives in Egypt”

Background:

Green hydrogen forms a crucial component of Egypt's strategy to foster sustainable socio-economic growth and mitigate carbon emissions. *the recently approved Law focuses on providing incentives and assurances for green hydrogen production projects and their associated ventures, aiming to create an appealing investment climate for stakeholders and expedite project implementation within Egypt*.

Law No.2/2024 aims to stimulate investment, cultivate an investment-friendly environment, boost production, and facilitate exports. Through the advancement of green hydrogen initiatives, the Law seeks *to strengthen private sector involvement* in social and national economic advancement. Its core provisions, outlined across seven articles, key articles will be elaborated upon in the following sections:

Scope of the Law ***2/2024***

The scope of the law applies to projects for producing green hydrogen and its derivatives. (Art.2)

These projects include:

1. Production of green hydrogen and its derivatives.
2. Water desalination plants.
3. Electric power production plants from renewable energy sources.
4. Projects limited to transporting, storing, or distributing green hydrogen and its derivatives.
5. Projects directly involved in manufacturing or production equipment necessary for green hydrogen production and their derivatives.

Tax incentives include (Art.4):

1. **Cash investment** incentive known as the ‘Green Hydrogen Incentive,’ valued at no less than 33% and no more than 55% of the tax paid upon declaring the income generated from initiating activities in the project or its expansions.
2. Incentives involve **VAT exemption** on equipment, tools, machines, devices, raw materials, supplies, and transportation (excluding passenger cars).
3. The VAT rate for exports of green hydrogen projects and their derivatives **is set at 0%.**
4. The article outlines **exemptions from real estate tax** for properties actively utilized in these projects, as well as a waiver of stamp tax, documentation and registration fees related to the company’s article of association, credit facility and mortgage contracts, land registration contracts necessary for establishing green hydrogen projects and their derivatives.

5. **Customs tax exemption** on all imports essential for these projects, excluding passenger cars.

Non-Tax Incentives Include (Art.5):

1. Granting a single approval (**Golden License**) detailed under the provisions of Investment Law No. 72 of 2017.
2. **Allowing the company to import**, on its own or through others raw materials, production requirements, machines, spare parts, and means of transportation for its establishment, expansion, or operation without the need for a license and without the need to be registered in the importers' register.
3. Allowing the company during the first 10 years from the date of signing the project agreements, to **hire foreign workers up to 30%** of the total project workforce.
4. Permitting the **establishment of special customs zones** for the project's exports or imports.
5. Granting **a 30% reduction** in fees related to the use of maritime ports and maritime transport services in Egyptian ports,
6. Granting **a 25% reduction** in fees for the right to use the industrial land allocated for the establishment of green hydrogen production factories and its derivatives and
7. Granting **a 20% reduction** in fees for storing facilities in ports.
8. Providing **grace period for the payment** of the usufruct right for the industrial and storage lands of the project and its expansions, ensuring that payment commences from the date of commercial operation, with no interest or penalties accrued during the grace period.

Conditions to grant the incentives (Art.6):

1. Initiating commercial operation of the project within five years from the date of concluding the project agreements,
2. Financing the project depends on foreign currency from international project financiers, constituting at least 70% of the investment cost,
3. Using national components whenever available in the local market constituting at least 20% of the project components.
4. The project's contribution to transferring and localizing technology and a commitment to developing and implementing training programs for Egyptian workers.
5. Commitment to developing a plan for the development of the local areas through the rules of social responsibility.

Sources:
Official Gazette issue no. 4 dated 27 January 2024