February 26, 2024

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Mr. John Podesta
Senior Advisor to the President for Clean Energy Innovation and Implementation
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Subject: Concerns Regarding U.S. Treasury Department's Proposed Narrow Guidance on Hydrogen Production Tax Credit (45V)

Dear Secretary Yellen and Senior Advisor Podesta,

As leaders of regional clean hydrogen hubs (H2Hubs), we strongly support President Biden's efforts to accelerate America's clean hydrogen industry and are grateful for his leadership to advance clean energy. We agree with the Biden Administration's goal of reaching net zero emissions by 2050 and, as President Biden said in his speech announcing the selection of the H2Hubs, clean hydrogen is a critical piece to help America meet this goal.

However, we are writing to express our shared concern regarding the narrow guidance proposed by the U.S. Treasury Department on the hydrogen production tax credit (45V), which may have far-reaching negative consequences for the entire domestic clean hydrogen industry. Specific impacts vary by H2Hub and will be described in greater detail through comments submitted by individual Hubs and their partners.

As eleven U.S. Senators wrote to your Administration last year in November, this narrow guidance "may hamper the development of a robust clean hydrogen market, undermine volumetric production and price-parity goals, reduce the positive effects of scaling up electrolyzer investment, and prevent clean hydrogen from fulfilling vital roles in hard-to-decarbonize sectors in line with the Administration's broader decarbonization efforts…the success of the new Regional Clean Hydrogen Hub Program in hard to decarbonize sectors will also likely be contingent on robust and flexible 45V hydrogen production tax credit guidance." In addition, U.S. Senator Tom Carper, the lead author of the Inflation Reduction Act's clean hydrogen production tax credit, said in response to Treasury's draft guidance, it "does not fully reflect this intent, potentially jeopardizing the clean hydrogen industry's ability to get off the ground successfully."

Each of our hubs has a range of ambitious projects aimed at accelerating the clean hydrogen industry, fostering economic growth, creating good-paying American jobs, and advancing environmental justice. According to the DOE, the seven H2Hubs are anticipated to generate $40 billion in private investment in clean hydrogen and support up to 334,280 direct jobs in the U.S. As hub leaders we are continually driven toward the creation of these high wage jobs and are leaning into the opportunity to partner with organized labor to ensure these projects also provide meaningful incomes and self-sufficiency for workers.

Unfortunately, these investments and jobs will not fully materialize unless Treasury's guidance, in its current form, is significantly revised, as many of the projects generating these investments and supporting jobs will no longer be economically viable. The selected hubs are estimated to reduce 25 million metric tons of carbon dioxide (CO_2) emissions from end-uses annually, the equivalent of taking 5.5 million gas-powered vehicles off the road, according to the DOE. This reduction in CO_2 emissions is a vital step towards addressing climate change and achieving the Biden Administration's goal of reaching net-zero emissions no later than 2050. However, the proposed guidance poses a significant risk to the ability for the U.S. to be a global leader in the hydrogen economy.

For example, the climate math in the DOE's own projections say we will need 10 million metric tons (mmt) of hydrogen by 2030 to meet our nation's climate goals. It is important that the final regulation not disadvantage any type of clean hydrogen production by limiting it exclusively to new sources, and ensure the credit remains flexible and technology neutral.

Finally, this proposed guidance will negatively impact disadvantaged communities that stand to benefit from the opportunities created by the clean hydrogen industry and the projects at risk under this guidance. If adopted without changes, the requirements under 45V will significantly constrain these opportunities, hindering the growth and prosperity of communities that are already marginalized.

We believe Congress was clear in the Inflation Reduction Act that output from existing resources should qualify for 45V. Requiring overly restrictive policies on an industry that is just beginning to emerge will introduce additional risks and costs into clean hydrogen production projects, prevent achieving the Administration's H2 Earthshot goal ($1/kg), and limit the ability to achieve hydrogen market liftoff and decarbonize our economy.

To accelerate technological breakthroughs that will bring down costs and increase access to clean hydrogen, we need current projects like the Hubs to move forward at full capacity. We strongly urge the U.S. Treasury Department to reconsider and revise its proposed guidance on the hydrogen production tax credit. It is essential to strike a balance that encourages the growth of the clean hydrogen industry, protects jobs, preserves environmental gains, and fosters opportunities for disadvantaged communities.

We appreciate your attention to this matter and your dedication to ensuring the success of clean energy initiatives in our nation.

Sincerely,

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cc: The Honorable Jennifer Granholm, Secretary of Energy, U.S. Department of Energy
The Honorable David Crane, Under Secretary for Infrastructure, U.S. Department of Energy
Ms. Kelly Cummins, Acting Director, Office of Clean Energy Demonstrations, U.S. Department of Energy