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: REG–117631–23: Suggestions for U.S. Treasury Department's Proposed Guidance on Hydrogen Production Tax Credit (45V)

Dear Secretary Yellen and Senior Advisor Podesta:

Thank you for the opportunity to comment on the Draft Proposed Rule under Section 45V of the Inflation Reduction Act (IRA). We deeply appreciate the Biden Administration's strong leadership in catalyzing the development of a world leading clean hydrogen market in the United States, as well as the emissions saving intent behind the draft guidelines published in December aimed at supporting decarbonization of the grid and economy in the United States. We look forward to our continued partnership as we collaborate to create market and regulatory conditions to accelerate the buildout of a reliable, resilient, and clean hydrogen ecosystem.

Our three states have a lot in common, particularly in our commitments to transition our electricity systems to 100 percent renewable and carbon free, coupled with binding limits on greenhouse gas emissions. Given these commitments, we are necessarily focused on accelerating the adoption of clean, renewable hydrogen. We know that we need renewable molecules to replace fossil fuels in several hard to decarbonize sectors, such as heavy industry, heavy duty transportation, aviation, shipping, agriculture, maritime, and more.

As you know, each of our three states is a proud foundational partner in one of the only fully renewable hydrogen hubs selected by the U.S. Department of Energy under the Bipartisan Infrastructure Law: Washington and Oregon are founders of the Pacific Northwest Hydrogen Association (PNWH2 Hub), and California founded the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES). Both hubs are not for profit public-private partnerships designed to enable renewable clean hydrogen market lift-off and expansion, while delivering direct benefits to Justice40 communities.

As part of our states' commitment to combating climate change and prioritizing clean electricity systems, we are committed to ensuring that the gains of the green economy benefit workers. Each of our hubs continues to work hand-in-glove with our partners in labor, and these hydrogen projects stand to serve as an incredible instrument to elevate the role of labor in these new clean technologies.

With that in mind, our states and hubs are focused on a core question posed by the Treasury and the Internal Revenue Service in the draft guidance, which invited "comments on whether to provide an opportunity to demonstrate zero or minimal induced grid emissions through modeling or other evidence under specific circumstances," such as "regional grid characteristics" and "state policy" 88 Fed. Reg. 89,220, 89,331.

Our states have a deep responsibility to ensure that renewable hydrogen systems can not only be environmentally and economically sustainable, but also the best option for private investment and future hydrogen market growth. Being able to demonstrate this hinges on the ability to build projects in our states that are connected to our energy systems and the clean energy regulatory frameworks that govern them.

Our hubs and/or state agencies will go into more detail, but all our comments are built on the same foundation: to enable success in all states, 45V regulations should have an alternative compliance pathway for states with firm commitments to get to 100 percent clean electricity. This position does not reflect a lack of concern about the risk that hydrogen production could lead to indirect increases in greenhouse gas emissions, but rather, that state policies address the concern without imposing cumbersome and expensive project-level limitations on use of clean electricity sources. An alternate compliance pathway would enable grid-connected projects to be built in our states, which already meet the intent behind draft guidelines, without impacting the proposed framework in states that do not have 100 percent clean electricity commitments.

This pathway should leverage the clean electricity states' existing renewable electricity frameworks, account for hydrogen demand across our entire state economies, and encourage production facilities to be able to ramp up and down to meet grid needs. Such an approach would enable our states, as well as any other states with 100 percent clean electricity commitments, to optimize renewable energy penetration, build out our hydrogen economy, and accelerate our path to decarbonization.

We appreciate your continued leadership and look forward to continuing to collaborate with you to establish the United States as the leading clean, renewable hydrogen market in the world.

Sincerely,

Gavin Newsom Governor State of California	Tina Kotek Governor State of Oregon	Jay Inslee Governor State of Washington