February 22, 2024

Submission VIA the Federal eRulemaking Portal at www.regulations.gov

The Honorable Janet Yellen
Secretary
United States Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: REG-117631-23: Section 45V Credit for Production of Clean Hydrogen, Section 48(a)(15) Election to Treat Hydrogen Production Facilities as Energy Property; 88 FR 89220

Secretary Yellen,

As Senior Vice President of Legal and Government Affairs of the Hexagon Group ("Hexagon"), I am writing to express support for the proposed rules regarding the 45V credit for production of clean hydrogen. While the proposed rules are a good start, we would like to request certain changes, as set forth in detail below. We would also like to provide our support for the letters provided by Natural Gas Vehicles for America (NGVA) and Fuel Cell & Hydrogen Energy Association (FCHEA). As we respect your time, we will not repeat those arguments here, but incorporate those arguments by reference.

Hexagon is a global leader in clean energy systems and solutions. Hexagon enables the storage and conversion to clean energy in a wide range of mobility, industrial and consumer applications. Further, Hexagon Purus, a business area of Hexagon, is a world leading provider of complete vehicle systems and battery packs for hydrogen fuel cell electric and battery electric vehicles including hybrid mobility applications on light, medium and heavy-duty vehicles, transit buses, ground storage, distribution, maritime, rail, and aerospace. Most importantly, as an alternative fuel company, we are focused across all divisions on displacing diesel and gasoline in transportation and bringing, "clean air everywhere." We do this by leveraging all available alternative fuels, including propane and natural gas, electric and hydrogen. Notably, we have been instrumental in the transportation-related emissions reductions of Amazon, UPS, Waste Management, and many other fleets.

1. Section IX. Renewable Natural Gas and Fugitive Sources of Methane - First Productive Use
The goal of the IRS and Treasury Department to provide emissions values consistent with the type of RNG used during the production of hydrogen is admirable. However, while the intent of "first productive use" to reflect an accurate credit value is logical, there are many extraneous factors that will end up creating instability and inaccuracy in RNG inputs and affect marketplace values. For example, there are contractual obligations, potential transportation issues and demand fluctuations that will require sourcing of RNG to vary for hydrogen suppliers. Worse yet, these variable inputs will unfairly affect the investment risk associated with the investment of hydrogen facilities and upgrading equipment. This substantially undermines the intent of the tax credit.
Proposed Solution
It would be more efficient and cost effective to assign production values to the RNG inputs used in hydrogen production. This would allow hydrogen producers to factor output costs given the RNG feedstocks used to create the hydrogen they offer to the marketplace.

2. Section IX. Book and Claim vs Temporal Matching, Incrementality, and Deliverability

Currently, RNG production is done via book and claim. The existing procedures do not require additional oversight or any additional production encumbrance or governmental oversight. The use of the “three pillars” above would create an undue and burdensome process which would only add cost to production.

Proposed Solution

Assign credit values to production methods and verify book and claim procedures currently used in RNG production. For hydrogen producers, the volumes associated with the production types of RNG sourced would be easily verified and add no real accounting burden. The effort to support book and claim would be front-loaded in production verification pathways via the GREET Model. Periodic inspection for producers and audits are already a standard process for any business and would not create additional costs.

3. V.(A) GREET Model

Currently, the proposed 45VH2–GREET model lists a limited number of RNG pathways. These limited variants should include dairy/swine and landfill RNG, which are currently established and existing means of production. There is substantial existing infrastructure dedicated to the capture of fugitive methane, which is ideal for emissions reductions that support the overarching goal of carbon neutrality. Abandoning these substantially carbon negative and cost effective RNG pathways would be detrimental to the overall cleanliness and cost of hydrogen in the marketplace.

We thank the IRS for the opportunity to comment and for seeking to create the most successful tax credit program possible.

Ashley Remillard
SVP Legal and Government Affairs

HEXAGON AGILITY INC

3335 Susan Street, Suite 100
Costa Mesa, CA 92626

T: +1 949 236 5520
www.hexagonagility.com