



February 5, 2024

RE: Pennsylvania Chemical Industry Council Public Comment: IRS Regulation 117631–23

On behalf of the Pennsylvania Chemical Industry Council (PCIC), I am writing to express our support for hydrogen hub development in Pennsylvania, including the ARCH2 hub which will positively impact Southwestern Pennsylvania, and the MACH2 hub located in Greater Philadelphia. These investments can support more than 41,000 well-paying jobs and position Pennsylvania as a national energy and environmental leader for future generations.

For 30 years, PCIC has served as the industry trade group representing Pennsylvania's chemical and plastics manufacturing operations. Our industry is critical for manufacturing everyday products ranging from nearly every healthcare product to the building blocks for cleaner energy options, high-performing building materials, food packaging, electronics, personal care products, and more. In short, manufacturing starts with chemistry and modern society needs our industry to grow while finding innovative ways to make products more sustainable.

Achieving meaningful economic and environmental goals will require investments in many new technologies, including hydrogen. Hydrogen hub development throughout the United States, including Pennsylvania, will also play a critical role in growing the clean energy economy.

However, the Biden Administration's proposed guidance for the 45V hydrogen production tax credit creates an uneven playing field, putting significant investment, job creation, and environmental progress in Pennsylvania at risk. Under the proposed guidance, blue hydrogen produced from natural gas with carbon capture creates qualification challenges despite meeting low carbon intensity requirements. As currently written, the proposed guidance would disincentivize hydrogen production utilizing natural gas which is a key component of reducing emissions. Limiting access to the 45V hydrogen production tax credit specifically creates an economic disadvantage for many of the planned projects that intend to use natural gas with carbon capture sequestration.

The current guidance exhibits a bias towards specific regions, creating an inequitable scenario. The regulations are particularly favorable to states that can quickly develop new renewable energy, excluding substantial portions of the country, notably Pennsylvania, from actively participating in the burgeoning hydrogen economy. Moreover, states with existing nuclear power will not qualify, as carbon-free power sources must be established no earlier than three years before hydrogen production commences. In essence, states such as Texas and California, which meet these criteria and have the existing hydrogen infrastructure, stand to gain the most from the tax credit and imminent investment in clean hydrogen production.

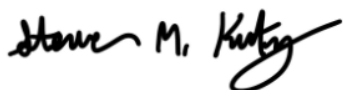
PCIC members understand the importance of sustainable production. This focus on and commitment to sustainability is why we support the development of the ARCH2 and MACH2 hydrogen hubs in Pennsylvania. The opportunity for economic and environmental advancement is also why hydrogen development has received bipartisan support at the federal and state levels. This includes significant federal investments from the Biden Administration's own Department of Energy which has set a goal to produce 50 million metric tons of clean hydrogen fuel by 2050, further underscoring the importance of widening access to the 45 tax credit.

Meeting the administration's aggressive goal is going to require an all-of-the-above approach when it comes to the feedstocks needed to produce hydrogen at scale. It will also require a commitment to providing regulatory certainty and a predictable permitting process to site and construct the infrastructure projects necessary to develop these hydrogen and carbon capture and storage ecosystems.

Pennsylvania is blessed with abundant natural resources and a skilled workforce to take full advantage of the opportunity that these hydrogen hubs represent. Whether it is the ARCH2 hub making use of carbon capture to produce clean blue hydrogen from natural gas, or the green and pink hydrogen produced by the MACH2 hub, the creation of a hydrogen economy has broad positive implications both for our environment and our economy.

As an elected leader in Pennsylvania, we urge you to call on the Biden Administration and the U.S. Department of Treasury to revise the existing guidance to level the playing field for hubs like ARCH2 and MACH2, by revising the 45V tax credit eligibility criteria. Revisions should include existing low-carbon sources and the incorporation of regional factors in GHG calculations, while also providing support for infrastructure development in disadvantaged regions to offset inherent cost barriers.

Sincerely,

A handwritten signature in black ink that reads "Steven M. Kratz". The signature is written in a cursive, flowing style.

Steven Kratz
President
Pennsylvania Chemical Industry Council