



February 23, 2024

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

RE: Internal Revenue Service; REG-117631-23; Section 45V Credit for Production of Clean Hydrogen

Secretary Yellen:

The Texas Hydrogen Alliance (THA) is pleased to comment on the Internal Revenue Service's proposed regulation concerning section 45V Credit for Production of Clean Hydrogen. The Texas Hydrogen Alliance is a state trade association dedicated to growing the hydrogen industry.

With the recent announcement of the \$1.2 billion HyVelocity Hub, Texas is a global leader in hydrogen and is poised to maintain our leadership in this arena. Currently, 33% of US hydrogen production comes from Texas. Texas leads the Nation's renewable energy market producing 36 GW of wind and 15 GW solar and has access to abundant low-cost natural gas. In addition, with 50% of the hydrogen storage caverns in the world, and more than 1,000 miles of hydrogen pipelines, Texas is well positioned to lead the US energy transition.

The Texas Hydrogen Alliance is comprised of a diverse group of strategic companies focused on the overall growth of Hydrogen in Texas. There is no one solution to satisfy the entire hydrogen ecosystem, but there is consensus among our members with the following:

Currently, there is no nationwide accounting system capable of hourly matching. Clear guidelines are necessary for projects in regions without hourly verification capabilities. Hourly verification systems may be in some regions by 2028 but will not be uniform across the Country. While some regions may be able to comply by 2028, an inconsistent and patchworked approach will stunt investment. If hourly matching is required to stand, then Treasury should consider a grandfathering matching provision for existing clean hydrogen facilities to honor the intent of the IRA.



We recommend that all background data in the 45VH2 GREET model be made foreground data, so producers of clean hydrogen are incentivized to find solutions and licensed technology that results in the lowest carbon intensity of the hydrogen produced. For example, if the actual carbon intensity of natural gas feedstock is allowed as foreground data, 45V can incentivize the reduction of greenhouse gas emissions from natural gas production and encourage the adoption of new technologies to avoid methane leakage. A determination of the lower carbon intensity for natural gas can be made by utilizing existing EPA Reporting Data under Subpart W.

Projects should be able to use the current GREET model in place when the investment decision is made and not be subject to future iterations. The proposed 45VH2 GREET model changing year to year causes uncertainty and project investment risk.

We ask that the IRS remains flexible with the proposed guidelines. Many of our Texas Hydrogen Alliance members have committed to substantial economic investments in hydrogen. Additional flexibility applied to the proposed guidelines will enable a smooth and sustained energy transition that will benefit the US consumers, commercial interests, and the continued growth of Texas's highly skilled energy workforce and communities across the State.

Sincerely,

A handwritten signature in black ink that reads 'Susan M. Shifflett'.

Susan M. Shifflett
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