THE PETROLEUM ALLIANCE
OF OKLAHOMA

February 26, 2024

Submitted via www.regulations.gov

CC:PA:LPD:PR (REG–117631–23), Room 5203
Internal Revenue Service
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

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

Dear Mr. Douglas W. O'Donnell:

The Petroleum Alliance of Oklahoma (The Alliance) appreciates the opportunity to submit comments to the Internal Revenue Service (IRS) regarding REG-117631-23, Section 45V Credit for Production of Clean Hydrogen; Section 48(a)(15) Election To Treat Clean Hydrogen Production Facilities as Energy Property (Proposed Rule).

The Alliance represents more than 1,400 individuals and member companies and their tens of thousands of employees in the upstream, midstream, and downstream sectors and ventures ranging from small, family-owned businesses to large, publicly traded corporations. Our members produce, transport, process and refine the bulk of Oklahoma's crude oil and natural gas.

Our members are committed to extracting, producing, transporting, and refining crude oil and natural gas in a safe and environmentally-sound manner. The Alliance's members have made significant strides in reducing and/or eliminating greenhouse gas (GHG) emissions and continue to pursue technologies and innovative solutions to detect, reduce and eliminate methane emissions. Our members provide abundant, clean-burning natural gas that has enabled the United States to become the global leader in GHG emission reductions.

The oil and natural gas industry is already a major hydrogen producer and with the oil industry's research abilities and expertise, it is well positioned to play a significant role in the expansion of a low-carbon hydrogen economy. Hydrogen produced from natural gas with carbon capture and sequestration (CCS), known as blue hydrogen, can reduce emissions in hard-to-electrify sectors (e.g., electric generation, industrial processes and commercial transportation), be produced in significant quantities at all times of the day, with high efficiency, and at low cost. But most importantly, it can be produced with very low emissions. In addition, it is estimated that by 2030, the U.S. hydrogen economy could generate 700,000 jobs and provide an economic benefit of $140 billion.[1]

In the Proposed Rule, blue hydrogen projects could face challenges qualifying for the credit, despite their ability to meet the carbon intensity requirements. If finalized in its current form, the proposed guidance would disincentivize hydrogen producers from using low methane intensity natural gas – a key component of reducing emissions from hydrogen production. If given no ability to accurately

[1] API, The Role of Low-Carbon Hydrogen, website visited February 2024.

THE PETROLEUM ALLIANCE OF OKLAHOMA

demonstrate these reductions, it could lead to fewer jobs, fewer projects, and consequently, a smaller hydrogen economy.

Instead of recognizing our industry's leadership in CCS and in reducing methane and GHG emissions from the production of natural gas used to make hydrogen, the Proposed Rule focuses almost exclusively on green hydrogen – that is, hydrogen developed from water electrolysis using renewable electricity – and misses the critical role natural gas and oil companies can play in helping accelerate the production of hydrogen made from all resources.[2,3,4]

Congress configured the hydrogen production tax credit to apply to blue hydrogen that meets a specific level of low-carbon intensity. The Proposed Rule needs to give individual hydrogen producers full credit for the lower GHG emissions of the natural gas they use to produce hydrogen.[5] Blue hydrogen is the most economically feasible technology that's available, and not fully incentivizing blue hydrogen in the Proposed Rule for the hydrogen production tax credit could hinder the most practical hydrogen approach and limit capacity to reduce GHG emissions.[6]

It will take hydrogen of all types, produced from all resources, to ensure that the hydrogen within the energy system can reach its full potential. To get there, we need a resource-neutral approach to hydrogen production.[7] We urge the IRS to treat hydrogen produced from natural gas fairly and recognize the role the oil and gas industry must play in the low-carbon hydrogen economy. Advancing alternative energy sources like hydrogen can help secure America's energy future, reduce emissions, create jobs, and improve the economy.

The Alliance appreciates this opportunity to provide comments to the IRS on this very important issue. If you have questions regarding these comments, please contact me at 405-601-2124. Thank you for your consideration of these comments.

Respectfully,

Angie Burckhalter

Angie Burckhalter
Sr. V.P. of Regulatory & Environmental Affairs

---

[2] API, Q&A: Hydrogen Tax Credit Proposal Would Needlessly Restrict Options to Reduce Emissions, website visited February 2024.
[3] U.S. Senator Joe Manchin, Manchin: Administration Kneecapping Hydrogen Projects, website visited February 2024.
[4] U.S. Senator Tom Carper, Carper Statement on Treasury's Proposed Guidance for Clean Hydrogen Tax Credit, website visited February 2024.
[5] API, Q&A: Hydrogen Tax Credit Proposal Would Needlessly Restrict Options to Reduce Emissions, website visited February 2024.
[6] Ibid.
[7] Ibid.