



Australian Government submission: US Treasury Inflation Reduction Act Call-for- Comment

Notice 2022-58 Credits for Clean Hydrogen and Clean Fuel Production

The Australian Government welcomes the opportunity to provide a submission on the clean hydrogen and clean fuel production provisions of the US *Inflation Reduction Act* (IRA). Australia notes our alignment in clean hydrogen production as we strive to meet our respective decarbonisation commitments. Australia values our regular engagement and looks forward to continuing to work closely with the US to secure our respective clean hydrogen production supply chains. We note that particularly in the Indo-Pacific, hydrogen will be a critical component of decarbonisation. Australia encourages the US to consider how the credits for clean hydrogen and clean fuel production can be implemented to minimise the risk of any unintended market distortions negatively impacting the developing international hydrogen market.

Q1 and Q2 – Definition of Clean Hydrogen

Australia supports the use of well-to-gate greenhouse gas emissions to inform the definition of “qualified clean hydrogen”. We would encourage the emissions accounting methodology used for this definition to be aligned with the International Partnership for Hydrogen and Fuel Cells in the Economy (IPHE) [methodology](#).

The IPHE is the most advanced multilateral government-to-government forum for international collaboration on challenges facing the global hydrogen industry, with over 23 member countries including the US who are co-leading the forum. The Hydrogen Production Analysis Taskforce of the IPHE works to develop and agree to emissions accounting methodologies for the hydrogen supply chain. The IPHE aims to seek broader international recognition of the agreed methodologies through formal adoption of the IPHE methodologies as an international standard by the International Organisation for Standardisation (ISO).

Alignment between the IRA approach and IPHE methodology will ensure greater interoperability between international emissions accounting frameworks and support global trade of hydrogen by removing potential non-tariff barriers to trade. The Australian Government is also currently developing a Guarantee of Origin scheme for hydrogen certification that is aligned with the IPHE methodology.

The following responses are based on ensuring alignment with the IPHE methodology:

- 1(a): Australia considers the well-to-gate boundary should include the upstream material acquisition and pre-processing for any significant inputs into the production process. It

OFFICIAL

should also cover the on-site emissions from the production process and any emission associated with electricity sourced from the grid.

- The IPHE methodology provides detailed guidance on which sources within the system boundary should be included in the emissions calculation for various production pathways.
- 1(b): Australia does not recommend using a mass-based allocation approach as hydrogen has a significant energy to mass ratio. We recommend that the approach to co-products use the following order where feasible:
 - allocation based on energy content;
 - allocation based on system expansion;
 - allocation based on economic value.
- 1(c): Australia recommends using a system expansion based allocation approach to by-product hydrogen produced by chlor-alkali plants.