February 26, 2024

Submitted via-regulations.gov

Subject: Comment on proposed regulations implementing Section 45V as amended by the Inflation Reduction Act of 2022 (IRS REG-117631-23)

To whom it may concern:

Community Transit is writing to provide comment regarding the Internal Revenue Service proposed regulations under Section 45V, Credit for Production of Clean Hydrogen, as amended by the 2022 Inflation Reduction Act that was published in the Federal Register on December 26, 2023. As a public transit agency serving Snohomish County, Washington, Community Transit supports clean hydrogen projects that can improve the accessibility, environmentally sustainability, and ultimately, affordability of hydrogen to facilitate the transportation sector's transition to clean energy.

The most recent version of the rulemaking provides clarity on eligibility, efficiency thresholds, and reporting requirements for clean hydrogen producers. We express support for clarifying and establishing requirements for production tax credits to ensure they are allocated to clean hydrogen projects. We would like to provide recommendations for enhancing the effectiveness of the rulemaking and incentivize the adoption of clean energy in transit and other heavy-duty applications.

1. **Provide exception to production facilities in states that have made significant investment in renewables:** It is recommended that the Treasury provide an exception to hydrogen producers in states that have made significant investment in renewable energy such as Washington. The GREET model does not accurately reflect the actual grid electricity GHG emissions rate for states that have proactively invested in renewable grid energy. For example, Community Transit is a customer of Snohomish Public Utility District (SnoPUD), which has a Fuel Mix that was 97% carbon free by MWh[1]. The associated carbon content of SnoPUD's 2019 Fuel Mix was 0.0215 Metric Tons of CO2e per MWh. Notably, the GREET model classifies Washington under the Western Electricity Coordinating Council (WECC), which includes 11 states and two Canadian provinces as shown in **Figure 1.** Comparatively, the WECC members collectively generated its electricity with 33% of gas and 17% coal[2], which is much higher and does not reflect the actual rate of GHGs. The language in the rulemaking could deter producers from investing in local infrastructure, limiting future clean hydrogen supply for transit agencies. The nearest supply of delivered hydrogen that is currently available to our agency is located in California, making the delivery process exorbitantly priced and carbon intensive.
2. **Recommend removing Incrementality requirements for electricity generating facilities located in states that have a significant mix of renewables supplying its grid:** Of note is "incrementality/additionality" language regarding electricity used to produce hydrogen, requiring that any hydrogen production utilize net-new renewable electricity to qualify for tax credits. Specifically, it requires that any production facility utilize renewables that have come online within 3 years of commissioning of the hydrogen production facility. For a state like Washington, which has historically great access to renewables via hydroelectric, the rules create a scenario in which producers may not be fully eligible for tax credits, which in turn drives the market price of hydrogen up, if it doesn't fully dissuade producers from entering the market in the Pacific Northwest.
3. **Treasury should add provisions to ensure that eligibility for PTCs is not discounted due to evolving Greenhouse gases, Regulated Emissions, and Energy use in Transportation mode (GREET) models.** The proposed language indicates that the most recent GREET model should be

[1] https://www.snopud.com/wp-content/uploads/2021/12/Final_2021_IRP.pdf
[2] https://www.wecc.org/Administrative/State%20of%20the%20Interconnection.pdf

used by hydrogen producers for determining eligibility for PTCs. Treasury defines the "most recent version of the GREET model" as the version "that is publicly available on the first day of the taxpayer's taxable year in which the qualified clean hydrogen for which the taxpayer is claiming the section 45V credit was produced[3]". The uncertainty in future measures for the GREET model may deter producers from making substantial investment in clean hydrogen production.

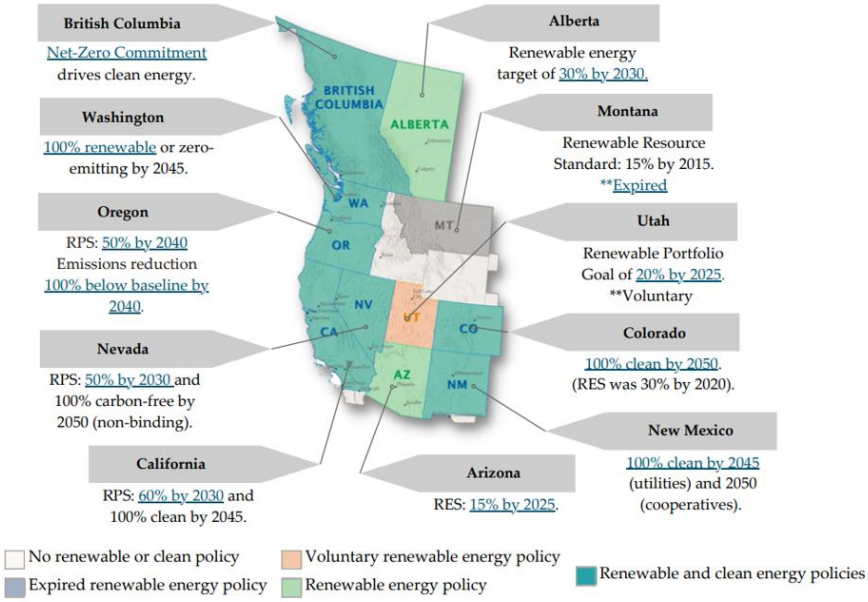

Figure 1: WECC Renewable Energy Policies[4]

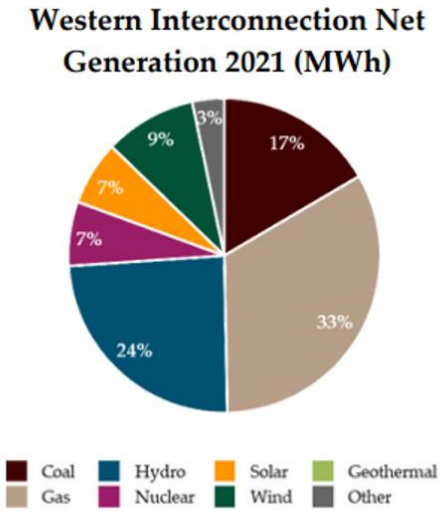

Figure 2: WECC Net Generation

[3] https://www.regulations.gov/document/IRS-2023-0066-0001

[4] https://www.wecc.org/Administrative/State%20of%20the%20Interconnection.pdf