DIGITAL CLIMATE ALLIANCE

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Internal Revenue Service
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Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Comments of the Digital Climate Alliance in Response to Notice of Proposed Rulemaking, Section 45V Clean Hydrogen Production Credit, REG–117631–23

The Digital Climate Alliance ("DCA" or "Alliance") appreciates the opportunity to submit the following comments in response to the U.S. Department of the Treasury ("Treasury") and Internal Revenue Service ("IRS") notice of proposed rulemaking, which sets forth proposed regulations relating to the credit for production of clean hydrogen under section 45V of the Internal Revenue Code, as established by the Inflation Reduction Act of 2022.

The DCA is a coalition of companies developing and utilizing digital technologies and tools to reduce their environmental impacts along with those of their customers. Twenty-first century problems need twenty-first century solutions. The Alliance's goal is to promote digital technologies and tools to enable solving climate, water, and energy challenges that impact economic development, business growth, social well-being, and ecosystem health.

To this end, the DCA respectfully requests Treasury and the IRS to confirm that the use of locational marginal emissions ("LME") rates and "carbon-matching" is allowable as an alternative means of assessing induced emissions from hydrogen production.[1] Under a "carbon-matching" framework, the total annual emissions induced by the energy consumption of a hydrogen electrolyzer must be offset by at least an

[1] In the alternative, the DCA respectfully requests that Treasury and the IRS promptly initiate a supplemental Notice of Proposed Rulemaking to pursue the use of LME rates and carbon-matching as an alternative mechanism for purposes of measuring emissions in the context of section 45V.

equivalent amount of avoided emissions attributable to the procurement of particular onsite or offsite sources of renewable energy generation. Rather than relying on units of energy (i.e., megawatt-hours) as a proxy for assessing emissions impact, carbon-matching using LME data takes into account real-time grid congestion, actual emissions rates of each electricity generator, and the power flows through the system in order to assess actual emissions impact.

The 2021 Infrastructure and Investment Jobs Act ("IIJA") directed the Energy Information Administration ("EIA") to establish an online database to track the operation of the bulk power system in the contiguous 48 States and, to the maximum extent practicable, to collect and publicly report (where available) hourly grid operating data including "estimated marginal greenhouse gas emissions per MWh of electricity generated" within each balancing authority and for each pricing node.[2] With LME data broadly available and the requisite market mechanisms and digital infrastructure already established to facilitate carbon-matching, this approach could be implemented broadly and almost immediately. In addition, failing to account for and explicitly authorize the use of LME rates to demonstrate compliance with section 45V emissions requirements could undermine the important work already well underway at the EIA.

Thank you for the opportunity to submit these comments. Please do not hesitate to contact Tom Lawler (Executive Director, Digital Climate Alliance) at lawler@digitalclimate.io if you have any further questions.

Members of the Digital Climate Alliance:

Baker Hughes
Black & Veatch
Dell Technologies
Intel Corporation
Schneider Electric
Trane Technologies

[2] *See* 42 U.S.C. § 18772(a)(2)(A)-(B).