Fossil fuel interests are trying to weaken the clean hydrogen tax credit.

President Biden: Finalize strong rules for climate.

The clean hydrogen production tax credit ("45V"), passed as part of the Inflation Reduction Act (IRA), is designed to incentivize the shift from dirty hydrogen production to truly clean hydrogen production. To ensure this tax credit delivers on its intent, pragmatic and rigorous implementation rules are required.

President Biden and Treasury must finalize strong 45V guidance that includes:

1. **The three-pillar framework for electrolytic hydrogen without any loopholes; and**

2. **Protections against the full scope of climate-warming pollution from fossil-based hydrogen.**

These rules are necessary to align tax credit implementation with the underlying statutory text. Moreover, failure to finalize strong rules threatens to result in hundreds of millions of tons more of carbon emissions by the mid 2030s, increased local air pollution, electricity price spikes, undermined U.S. climate goals, and the buildout of taxpayer-subsidized hydrogen infrastructure entirely misaligned with the needs of a clean energy transition.

Strong Standards for Electrolytic Hydrogen Production
Electrolytic hydrogen is produced via electrolysis, where electricity is used to split water into hydrogen and oxygen. When powered by renewable energy and with the right guardrails in place, this process offers the cleanest pathway to hydrogen production.

However, electrolysis is a power-hungry process, meaning common-sense protections are necessary to ensure the tax credit does not unintentionally drive increased fossil fuel generation to help support hydrogen production, together with increases in carbon emissions. This outcome would explicitly violate the emissions thresholds embedded in the IRA, which hydrogen projects must meet to qualify for the lucrative tax credit. The three pillars are robust and straightforward criteria to prevent this harmful outcome and ensure that subsidized hydrogen projects are not violating the IRA requirements:

- **Incrementality** - to ensure that electrolyzers are drawing on new clean energy supplies, rather than diverting existing renewables and causing the grid to backfill with fossil fuels;

- **Hourly matching** - to ensure that clean energy is actually available during the hours that the electrolyzer is running; and

- **Deliverability** - to ensure that the clean energy can be physically delivered to the electrolyzer and not blocked by constraints between electricity grids.

Supporters of this ad vigorously support President Biden's strong proposed rules for the 45V tax credit released in December 2023 for electrolytic hydrogen, which include the three-pillars framework. If finalized in its current form without any loopholes, these rules will protect the climate and consumers, and ensure that hydrogen projects adhere to the IRA's requirements.

The three pillars enjoy a wide range of support including from industry groups spanning the hydrogen value chain, consumer advocates, environmental justice organizations, Members of Congress, state legislators from

35 states, organizations for fiscal responsibility, and a wide range of organizations in Hydrogen Hub states (including California, Illinois, Michigan, Indiana).

But fossil fuel interests are now trying to weaken the three pillars, lobbying the Biden administration to include harmful polluter loopholes and exemptions that would pad polluter profits. This includes lobbying for a massive exemption allowing 5 to 10 percent of existing clean energy to suddenly be diverted away from powering homes and businesses in favor of hydrogen production. If included in the final rule, this exemption alone could result in 1.5 billion metric tons of increased emissions cumulatively through 2035 and would lead to harmful electricity price spikes for consumers.

Strong Standards for Fossil-based Hydrogen Production

Today, 99 percent of hydrogen is made from fossil fuels through a process known as steam methane reforming. The 45V tax credit was specifically designed to incentivize the shift away from this heavily polluting process. However, because 45V eligibility is solely based on the climate pollution associated with the hydrogen production process, not the technology or feedstock used, if a fossil fuel-based project can produce hydrogen with sufficiently low carbon emissions, that hydrogen would qualify for the credit.

Fossil fuel companies are now doing everything they can to hide the true amount of pollution associated with their projects, pushing to access higher levels of 45V funding via emissions accounting loopholes and offsets. This includes lobbying for unreasonably low estimates of upstream methane emissions associated with fossil fuel use and by allowing the use of biomethane offsets to paper over the heavy pollution burden of their underlying approach.

The final 45V rules must close these loopholes and incorporate safeguards that defend against fossil fuel industry manipulation of the emissions accounting process. Otherwise, 45V could incentivize the buildout of hydrogen production projects that put us *further* from our climate goals, while worsening local air pollution and community health.

For press inquiries, please contact bschaefer@nrdc.org.

For more detail on the purpose and background of this ad, please click here.

Below are detailed written comments submitted to Treasury for the 45V tax credit.

Earthjustice

Environmental Defense Fund

Natural Resources Defense Council

Sierra Club

Union of Concerned Scientists

More info found here: Evergreen Action blog

Supporters of this ad include: Earthjustice, the Environmental Defense Fund, Evergreen, the League of Conservation Voters, the Natural Resources Defense Council, Public Citizen, Sierra Club, Sunrise Movement, and the Union of Concerned Scientists.