



GOVERNOR JOSH SHAPIRO

December 7, 2023

The Honorable Janet Yellen
Secretary, U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Jennifer Granholm
Secretary, U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Mr. John Podesta
Assistant to the President and Senior Advisor to the President for Clean Energy
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Secretary Yellen, Secretary Granholm, and Mr. Podesta:

The Inflation Reduction Act (IRA) is set to power the next chapter of American energy excellence. Here in Pennsylvania, we see IRA's hydrogen incentives as a key element of that work. As the proud host of two separate Hydrogen Hubs—MACH2 and ARCH2—Pennsylvania has a strong interest in the successful development of clean hydrogen projects.

Pennsylvania will rise to meet the challenge of making clean hydrogen an economically viable fuel source, overcoming the false narrative that economic growth and environmental protection cannot thrive together. But the success of our work will depend in part on your forthcoming guidance on the Internal Revenue Code Section 45V Tax Credit for Production of Clean Hydrogen (45V). I strongly request that you avoid undue near-term restrictions on 45V that would hinder our energy future.

As its legislative drafters have made clear in public remarks, 45V was intended to be technology-agnostic and Pennsylvania's experience as an all-of-the-above energy state shows the importance of maintaining that approach in your guidance. Our Commonwealth has long led the way in American energy development—from the first commercial oil well to the first civilian nuclear reactor, both located here in Pennsylvania—and we know that making a substantial leap in technology requires a period of flexibility and backwards compatibility.

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For that reason, a very narrow interpretation, one that immediately limits 45V with restrictive additionality, deliverability, or time-matching requirements, will make it harder to accomplish our end goal, which is a low-carbon future across many sectors of our economy. Avoiding these unnecessary restrictions in favor of the existing accountability mechanisms contained in the 45V legislation will make it easier for hard-to-abate industries—like Pennsylvania’s legacy steel production sector—to benefit from hydrogen.

Looking ahead, my hope is that changes throughout the energy system in Pennsylvania and beyond will facilitate the use of behind-the-meter, zero-carbon generation to serve as the preferred inputs of electrolysis. Reasonable rules that provide a roadmap to hourly matching and clean supply requirements can help encourage that approach over time, but it would be unrealistic to abandon the substantial existing infrastructure in Pennsylvania that stands ready today to act as a bridge to a cleaner hydrogen future. Our state has a strong backbone of existing generation resources and being unable to utilize those assets in the near-term, either directly or as a backstop to renewable sources that power electrolysis, will significantly impede our ability to roll out hydrogen on an impactful scale. In addition, queue constraints at our regional transmission organization, PJM, make it unlikely that significant new renewable sources will emerge on the largest interconnection grid in our nation before the second half of this decade. I am concerned that without a transition period offering broader additionality, deliverability, and time-matching options, these obstacles will ultimately reduce the emission reductions that hydrogen can and should deliver in the decades ahead.

I look forward to working with you to successfully deliver the promise of a clean hydrogen future, and hope your guidance will offer flexibility in the near-term, allowing 45V to unlock the full potential of Pennsylvania’s hydrogen economy.

Sincerely,



Governor Josh Shapiro