February 5, 2025

The Honorable Jason Smith
Chairman
U.S. House Ways & Means Committee
1139 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
U.S. House Ways & Means Committee
1139 Longworth House Office Building
Washington, D.C. 20515

RE: Member Day Hearing on Matters Within the Committee's Tax Jurisdiction

Dear Chairman Smith and Ranking Member Neal,

On behalf of Hydrogen Jobs Now (HJN), a coalition of labor leaders, industry partners, and economic developers, we thank Congress for its continuous effort to promote the growth of America's clean hydrogen economy.

We urge Congress and the Trump Administration to preserve the 45V tax credit as it provides a strong foundation for the hydrogen industry's growth. The statutory language provides appropriate flexibility to develop hydrogen from multiple feedstocks and facilitates technology innovation. From this foundation, we encourage targeted improvements to enhance U.S. energy security, preserve strategic industries, and generate economic growth in more communities. These refinements will de-risk private sector investment, guarantee equal treatment of all hydrogen production streams, and enable the United States to compete globally and reach its full potential.

The Case for Strengthening Section 45V

The hydrogen economy is one of modern history's most significant energy security opportunities. Hydrogen Jobs Now's research indicates that hydrogen development is expected to create approximately 100,000 jobs by 2030 and roughly 3-4 million jobs in the United States by 2050 while realizing the nation's potential for energy production from all sources. Hydrogen hubs in vital energy sectors are predicted to bring huge economic returns to the communities that have long powered the nation. The Trump Administration's recent executive order on energy dominance underscores the need for a strong domestic hydrogen industry that guarantees long-term energy security.

The Section 45V tax credit regulations are essential in building the United States as a world leader in hydrogen production. Nevertheless, the existing rules pose issues that may slow investment and job creation, particularly in energy-dependent regions. The final section 45V regulations contain strict standards for natural gas-derived hydrogen that prevent American energy producers from fully participating in this market. Without some changes to Section 45V regulations, some of these projects may not reach their full potential and the United States will cede to other nations control over this vital opportunity. Below are four suggestions for improving the regulations under Section 45V.

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1. **Enhanced Market Access for RNG and Natural Gas Feedstocks**

The current Section 45V regulations do not allow blending renewable natural gas (RNG) with fossil natural gas for lifecycle emissions calculations. This restriction effectively prevents lower-carbon fuels from being able to reduce emissions at scale. It thus weakens the incentives for farmers and rural energy producers to participate in the hydrogen economy. Section 45V statutory language does not require this result. Permitting blended pathways would help promote RNG in hydrogen production while maintaining strict emission standards.

Furthermore, the current regulations are more favorable to certain types of RNG than others, especially CMM (Coal Mine Methane) and fossil-derived RNG as opposed to agricultural waste RNG. It is important that all potential feedstocks are treated equally to induce investment across the entire energy sector.

2. **Acceleration of Book and Claim Accounting Systems for RNG**

Book and claim accounting enables hydrogen producers to claim the carbon emission reduction from RNG without requiring a direct pipeline connection. Under the final regulations, this system will not be available until 2027. This delay is not required by the statute and restricts private investment in RNG projects today, decreasing the market for American farm-based RNG. The final rules should encourage hydrogen producers to begin using book and claim accounting immediately so energy producers do not have to wait several years for a governmental solution.

3. **Added Certainty in the GREET Model for Investors**

The Argonne GREET model has been the backbone for carbon intensity scores since 1995. A positive feature of the final Section 45V regulations is the safe harbor provision that allows hydrogen projects to use the version of the Greenhouse gases, Regulated Emissions, and Energy Use in Technologies (GREET) model available at the time construction begins. However, continuous changes in the model could create long-term uncertainty for the industry. Congress should consider legislation defining the stable GREET model framework and exclude the risk of future regulatory changes that may affect investors' perception of longer-term U.S. hydrogen production.

4. **The problem of the load factor is related to clean hydrogen producers.**

A significant operational challenge is the requirement under Treasury regulations that clean electricity use in hydrogen production must be matched hourly beginning in 2030. This provision does not consider electric grid constraints in energy-dominated states like Texas, Louisiana, Pennsylvania, Ohio, and West Virginia, where hydrogen production has to be cost-effective. Congress should urge Treasury to re-examine the hourly matching provision and consider other compliance requirements to avoid situations where clean hydrogen producers are subject to provisions not adopted in the market or specified in the Inflation Reduction Act passed by Congress.

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Next Steps for Modification of Guidance

The development of blue, green and pink hydrogen investment strategies are needed, and many rural communities will benefit from developing different types of systems. These improvements are consistent with the policy objectives of the new Congress and taxpayers.

Thus, by making the following targeted adjustments, Congress can:

- Create high-paying American energy jobs in rural areas.
- Expedite the nation's energy infrastructure and fuel production capabilities while at the same time realizing hydrogen's environmental benefits.
- Guarantee the energy security of the United States and reduce the dependence on hydrogen from other countries.

We recommend Congress maintain the Section 45V hydrogen credit.

Additionally, we urge the Committee to work with the Treasury Department to address the following issues in modifications to the final regulations:

1. Permitting the combination of RNG with natural gas in the Section 45V framework.
2. Reducing the lead time for the book and claim implementation from 2027 to 2025.
3. Ensuring the stability of the GREET model through a permanent framework to avoid future regulatory risk.
4. Modifying the hourly matching requirement to enable hydrogen development in energy-dominated states so that the entire country can benefit from low-carbon solutions.

HJN and our members are committed to working with this Congress to ensure that the United States leads the world in hydrogen production, energy security, and job creation. We look forward to engaging with your offices to discuss how these improvements can best serve your constituents and the U.S. economy.

Thank you for your leadership and support in advancing policies that secure our nation's energy future.

Sincerely,

Marc Heissan

Marc Heissan
Executive Director
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