



**Congress of the United States**  
**House of Representatives**

February 26, 2024

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

Dear Secretary Yellen,

I am writing regarding U.S. Treasury's proposed guidance of the Section 45V Credit for Production of Clean Hydrogen (IRS and REG-117631-23).

I am pleased to see the Administration's decision to select the Pacific Northwest Hydrogen Association's proposal for a hydrogen hub in the region. With the region's extensive hydropower assets, this investment will serve as a significant catalyst to produce the greenest hydrogen in the nation, and help meet the Administration's goals of carbon neutrality by 2050.

I also appreciate the hard work that the Administration has undertaken to propose guidance for the 45V Hydrogen Production Tax Credit. The critical investments in clean energy technology authorized and appropriated by Congress must be utilized in the most effective and efficient way possible to spur a clean energy economy. The full value of the credit will help producers jumpstart the hydrogen industry early on to bring us closer to the clean energy goals the Administration and the state of Washington have set.

As we look to implementation, I'm concerned that the proposed guidance issued by the Treasury will place an unnecessary burden on hydrogen producers in Washington state. Proposed in the guidance is the requirement for hydrogen to be produced only from new, clean generation added to the grid, also called incrementality.

This sort of requirement is reasonable in states with little to no state climate laws on the books, and I support the Administration's goal of incentivizing green hydrogen production that does not release the very emissions it seeks to curb downstream. But in the state of Washington, comprehensive and enforceable state policy legally mandates the region's energy interests to meet net-zero emissions goals more ambitious than the Administration's own climate goals. A blanket incrementality provision would

prevent hydrogen producers in Washington state from qualifying for the credit if they use power from existing clean energy resources, which includes hydropower generation that makes up 67% of the state's energy mix. This unnecessarily puts the region's hydrogen producers at a disadvantage, hampers climate progress, and strays away from the original intent of the Inflation Reduction Act that I strongly supported.

In my district, Douglas County Public Utility District (Douglas PUD) was one of the first generators in the country to initiate plans and construction of a green hydrogen production facility. The utility is set to integrate their facility with their hydroelectric operations of the Wells Dam this year.

For energy generators, increased complexities in the grid brought on by intermittent renewable energy sources will require operators, including hydropower facilities, to become more agile and responsive to requests to reduce or increase energy output to the grid. To meet the moment, Douglas PUD plans to optimize its turbine operations with hydrogen fuel production to store energy that would otherwise be lost. For example, instead of ramping down a dam turbine when the grid makes a request, the utility can instead switch the turbine to produce hydrogen fuel. This alternative method allows this otherwise lost energy to be stored as a fuel for applications in hard to decarbonize sectors, reduces turbine wear and tear, and lowers costs for ratepayers. If guidance for the 45V hydrogen production tax credit includes incrementality without qualification or exception, projects like this one will not qualify for the full credit and face delays in timeline and financial hurdles to producing green hydrogen fuel.

Evident by the decision to select the region as a hydrogen hub funding recipient, it's clear that the Administration believes abundant hydropower resources make the Pacific Northwest ideally suited to produce the greenest hydrogen in the nation. To ensure there is no delay, I urge Treasury to consider unique state legislative climate frameworks as it implements rules for the 45V Hydrogen Production Tax Credit, and avoid a one-size-fits-all approach that would hinder the transition to clean energy.

Sincerely,

A handwritten signature in black ink, appearing to read "Kim Schrier". The signature is fluid and cursive, with a large initial "K" and "S".

Kim Schrier, M.D.  
Member of Congress