

February 26, 2024

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

Re: Section 45V Notice of Proposed Rulemaking

In response to Treasury’s guidance on Section 45V¹, Japan Hydrogen Forum (JH2F) is pleased to submit the following comments for consideration. JH2F is an organization formed in 2021 to contribute to the goal of decarbonization in the United States, consisting of 31 Japan-affiliated companies with hydrogen related technologies from production, carrier conversion, transportation, storage to utilization.

We believe that producing and using clean hydrogen is critical to address the climate crisis, enhance energy security and resilience as well, and 45V is the key part of decarbonization strategy to further boost a U.S. market for clean hydrogen.

While supporting the U.S. Government’s effort on encouraging investments in clean hydrogen and acknowledging the inclusion of significant policy components, we must underscore the importance of further refinements to ensure the success of hydrogen which is critical for the U.S. decarbonization goal.

General Comments

If the strict rules incur the cost increase, it might have negative effects on the market formation of hydrogen and its deliverables, some of which will be supplied for meeting global demand as well as the U.S. domestic demand. We believe achieving cost competitive hydrogen supply is the most critical piece for the market adoption of hydrogen as an alternative energy, however, currently proposed strict rules would incur additional costs without clear benefit of these restrictions. We appreciate your consideration for modifying some of the proposed conditions so that many of us can easily accept and contribute to achieving the decarbonization goal in the U.S. and its leadership in the global energy transition.

Concerns with the Three Pillars Approach

Especially, the proposed “Three Pillars” requirement (incrementality, temporal matching (hourly matching), deliverability) will significantly increase the production cost of the lowest carbon-intensity hydrogen. Depending on assumptions, these additional costs could exceed the maximum credit provided by the original legislation (\$3/kg of H₂). This would likely push up the delivered cost of “green” hydrogen well beyond that of conventional “gray” hydrogen.

Grandfathering

We strongly recommend that early mover projects be permitted to have grandfathered exemption from the three pillars. The risk of first mover disadvantage is already an obstacle to decarbonization related project development. At minimum requests, the projects that began construction prior to the issuance

¹ [Federal Register:: Section 45V Credit for Production of Clean Hydrogen; Section 48\(a\)\(15\) Election To Treat Clean Hydrogen Production Facilities as Energy Property](#)

of the final 45V regulations being published to the Federal Register should be permitted to have grandfathered exemptions of the three pillars – Temporal Matching, Incrementality and Regionality.

Incrementality

We request Treasury to push additionality requirement back until 2032, since there is not enough renewable power capacity to support hydrogen production now. We also request Treasury to apply an across-the-board exemption from the incrementality requirement for nuclear power and hydropower, given the strong importance of clean baseload power to driving a large-scale clean hydrogen economy.

Temporal Matching

We urge Treasury only to apply on hourly matching requirement in 2032 if the hourly EAC market is appropriately developed and commercially available at a reasonable rate for clean hydrogen production.

Comments on Renewable Natural Gas as a feedstock of clean hydrogen

Flexibility needs to be provided to renewable natural gas (RNG) producers to sell RNG for hydrogen production independently from when an RNG plant has entered into production. The “first productive use” concept limits RNG pathways by creating a de facto strict additionality requirement. Treasury should eliminate or clarify “first product use” in a way that leaves open the possibility for various pathways to produce RNG.

Secondly, the appropriate region for book and claim should be defined as the North American interconnected pipeline grid. Although the current proposed rule only supports landfill gas physically connected to the production facility, expanding the rule to include landfill, dairy waste, and other biogas/biomass sources that is geographically dispersed will help unlock the production and use of RNG from waste products that would otherwise vent methane into the atmosphere. This can be accomplished if Treasury establishes a book and claim system like that currently used by the California Low Carbon Fuel Standard (LCFS) program.

We appreciate your consideration and thoughtful feedback to address our concerns. We look forward to contributing to the goal of zero-emissions in the United States.

Sincerely



Takehito Yokoo

Chairperson,
Japan Hydrogen Forum