**Northwest Public Power Association**

**Proposed Resolution 2023-18**

**Federal Incentives for Utility-Scale Hydrogen Projects**

**Background**

Demand is building for hydrogen as heavy industrial sectors seek practical solutions for decarbonization amid growing environmental demands from customers, governments, and financial players. In addition, interest in hydrogen is growing within the utility sector in areas such as generation, energy storage, grid balancing, and transportation. In this regard, electric utilities can leverage surplus renewable energy to produce hydrogen, facilitate clean energy integration, and use hydrogen as a medium for long-duration energy storage. Some utilities are also exploring the deployment of hydrogen fueling stations for the transportation sector.

A growing number of utilities, including public power utilities, are exploring and investing in hydrogen projects. Yet, hydrogen remains an expensive alternative as there are currently limited options for producing, acquiring, storing, and transporting hydrogen fuel. Hydrogen production and storage must reach sizeable commercial scale to provide operational confidence and drive down project cost. Just as solar and wind technologies benefited from various federal incentive programs, meeting state, regional, and federal clean energy goals will benefit greatly from an aggressive federal investment in hydrogen for power generation, transportation, and industrial purposes.

The $1.2 trillion Infrastructure Investment and Jobs Act (IIJA) signed in 2021 dedicated approximately $8 billion to the U.S. Department of Energy (DOE) to establish clean hydrogen programs, including a demonstration program to decrease the cost of clean hydrogen production from electrolyzers and at least four regional clean hydrogen hubs to demonstrate the production, delivery, and storage of clean hydrogen energy. This bill, along with DOE’s [Hydrogen Program Plan](https://www.hydrogen.energy.gov/pdfs/hydrogen-program-plan-2020.pdf), provides a strategic framework for the Department’s hydrogen research, development, and demonstration (RD&D) activities. As DOE implements programs promoting hydrogen development, it should not only provide equal consideration for all utilities and non-utility developers, but also provide for the integration of electric generation and transportation uses of hydrogen, and hydrogen storage for non-automotive applications, and the hybrid use of renewable hydrogen and natural gas to help reduce greenhouse gas emissions. This broad approach will allow for the widespread assessment and adoptions of hydrogen use in electric generation.

Additionally, last year Congress approved, and President Biden signed, the Inflation Reduction Act of 2022. The Act created a new section within the Internal Revenue Code, 45V, which establishes a clean hydrogen production tax credit (PTC) and broadens the existing investment tax credit (ITC) in section 48 to apply to hydrogen projects and standalone hydrogen storage technology. The Act also allows for direct pay and transferability of hydrogen-related tax credits. As the U.S. Treasury and Internal Revenue Service implements these tax provisions, similar to DOE, these agencies should provide equal consideration for all utilities and non-utility developers and provide for the highest level of opportunity to equitably capture the tax benefits outlined in the measure.

**NWPPA’s Position**

* NWPPA supports federal policies to increase the research, development, and deployment of hydrogen technology for the electric utility sector, in addition to transportation and industrial uses and urges effective implementation of the hydrogen programs authorized by the Infrastructure Investment and Jobs Act.
* NWPPA urges Congress to provide equal incentives to all segments of the utility industry, including public power, in any programs to advance hydrogen deployment.

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