



Eric Guter Testimony for 45V Hearing
March 25, 2024 (10 am USET)
IRS Building, 1111 Constitution Avenue NW, Washington, DC

Testimony

Hello, and thank you for the opportunity to speak today. My name is Eric Guter, and I am the Vice President of Hydrogen at Air Products.

Headquartered in Allentown, PA, Air Products is the only U.S.-based global industrial gas company and the world's largest supplier of hydrogen. Founded over eight decades ago, Air Products has operations in approximately 50 countries. We employ more than 23,000 talented and committed people, and we operate more than 750 industrial gas facilities worldwide. This includes owning, operating and maintaining more than 110 hydrogen production facilities and over 700 miles of pure hydrogen pipelines.

Air Products is actively working with our partners and customers to accelerate the energy transition and generate a cleaner future—an effort that can be propelled through incentives such as the IRA 45V hydrogen tax credits—so long as there are strong guardrails to ensure we drive down emissions as we transition to an economy powered in part by hydrogen. We believe the most appropriate guardrails are hour-matching, incrementality, and deliverability, which are commonly known as the three pillars.

The IRA is the world's most significant piece of climate legislation which, if implemented carefully, will help our nation advance the energy transition, fight climate change, and position the U.S. as the global leader in clean hydrogen production, consumption and export. Its generous incentives, particularly 45V, must be held to the highest standards so the U.S. can achieve the maximum benefits of carbon reductions and put us on a path to achieving our net-zero targets by 2050.

At its heart, the IRA is climate and clean energy-driven legislation. And U.S. taxpayer dollars should not be used in a way that does not uphold that spirit.

Long before the IRA, Air Products made an industry-leading commitment to invest over \$15 billion in clean energy projects to accelerate the energy transition.

And we are delivering on that commitment by building clean hydrogen projects around the world. Currently, Air Products has projects that, in aggregate, represent more than \$12 billion of investment under development in the U.S. and in other countries that meet the strictest standards of clean hydrogen production, which are hourly-matching, incrementality, and

deliverability. For example, Air Products and The AES Corporation announced plans to build, own and operate a multi-billion-dollar green hydrogen production facility in Texas. This mega-scale renewable power electrolysis-based hydrogen project would include approximately 1.4 gigawatts (GW) of new wind and solar power generation, along with electrolyzer capacity capable of producing over 200 metric tons per day of green hydrogen, making it the largest green hydrogen facility in the United States.

Again, this project will be three pillar compliant. And if we can do it, so can others.

During these days of testimony, you will hear from a range of companies. Some of these companies are the largest and most technically capable organizations in the world – but claim they can't do what Air Products is already doing. Even more of the companies you will hear from have no experience in the hydrogen industry. They have never produced a molecule of hydrogen. Both groups are asking Treasury to implement a weak standard for producing electrolytic hydrogen in exchange for the most lucrative climate subsidy in the world. They are asking for you to lower the bar and subsidize, at taxpayers' expense, investments in hydrogen that will increase emissions.

I urge you to be skeptical of false claims that would increase emissions on the grid, in violation of the spirit of the IRA, which at its heart, is climate and clean energy legislation.

It can be done.

Air Products is doing it.

Others can do it too.

We applaud Treasury and the Internal Revenue Service (IRS) proposed guidance for imposing strict standards for the 45V hydrogen tax credit which should deliver real and verifiable emissions reductions from Day One.

1. Air Products strongly supports hourly matching of electricity with hydrogen production starting in 2028. Hourly matching is critical to assuring that grid emissions won't increase from electricity generation associated with new hydrogen production. This pillar ensures that we do not ramp up fossil-based power production to support hydrogen production and exacerbate - rather than reduce - emissions.
2. Air Products strongly supports incrementality of clean electricity starting Day One. Incrementality is needed to ensure there is no shuffling of renewable power resources between existing end users of power and new clean hydrogen production facilities and that we do not adversely impact grid power pricing. The incrementality pillar ensures that every new molecule of hydrogen production is generated by new clean electrons that we add to the grid.

3. Air Products supports the requirement for deliverability based on the regions identified in the Proposed Regulations. We must ensure that clean power generated in a region is actually delivered to clean hydrogen projects. Without this pillar, grid emissions may go down in one region but up in another, negating the project effects, and increasing local grid congestion.

For hydrogen to truly be clean, all three pillars must be implemented together. Without one, the system falls apart and risks increasing emissions on the backs of taxpayers.

I'd like to be clear that with respect to the three pillars, Air Products strongly opposes:

1. Any extension of the phase-in period past December 31, 2027;
2. Any grandfathering or exemptions for hydrogen production facilities based on a begun construction or placed in service date; and
3. Any exemptions for power plants that are likely to avoid retirement because of their relationship with a hydrogen production facility, exemptions during periods in which minimal-emitting generation would have otherwise been curtailed, and exemptions based on conducting modeling to demonstrate zero or minimal induced grid emissions.

Any deviation from the three pillars will set us on a perilous path and slow down, rather than accelerate, decarbonization. It will also unfairly disadvantage compliant projects, which Air Products is proving are possible.

Finally, we have the opportunity with this implementation to cement the U.S.'s global climate leadership. A robust U.S. hydrogen market will require that the U.S. hydrogen industry be able to export clean hydrogen to our allies around the globe, including the European Union. The EU's Carbon Border Adjustment Mechanism puts a fair price on the carbon emitted during the production of carbon-intensive goods entering the EU and encourages cleaner industrial production in non-EU countries.

Aligned with its decarbonization goals, the EU has set out its own strong three pillars, with proper environmental guardrails for producing electrolytic hydrogen.

We believe the U.S. must promulgate strong rules for 45V to ensure our industry has ready access to the European clean hydrogen market. This will ensure the United States will be part of a globally harmonized clean hydrogen certification system, important for global energy trade and broader market lift-off.

I urge you to be skeptical of weak rules that would contradict the intent of the IRA and increase emissions.

I urge you to position the U.S. for leadership and put us on a path towards a globally

harmonized clean hydrogen certification system.

Finally, I urge you to implement strong three pillars so we can accelerate the energy transition and build a truly clean hydrogen market.

Thank you for your time, and I welcome any questions.