



June 14, 2023

The Honorable Lily Batchelder
Assistant Secretary for Tax Policy
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: Renewable Natural Gas Pathways for Clean Hydrogen Production under Section 45V

Dear Ms. Batchelder:

On behalf of the undersigned organizations, we write to express our collective and robust support for the Department of Treasury's timely development of guidance that implements the Inflation Reduction Act's (IRA) Section 45V Production Tax Credit (PTC), and which maximizes opportunities to reduce methane emissions by incentivizing renewable natural gas (RNG) pathways for clean hydrogen production.

RNG can be used as a feedstock to produce clean hydrogen, providing another avenue for zero-carbon and carbon-negative renewable gas in the energy, transportation, and industrial sectors. Clean hydrogen at scale could significantly reduce carbon emissions from various applications. When clean hydrogen production is paired with carbon capture and sequestration, the hydrogen production process using RNG can become carbon negative.

We note that Treasury is required under the IRA to measure lifecycle greenhouse gas (GHG) emissions using the Greenhouse Gases, Regulated Emissions, and Energy Use in Transportation (GREET) model under Section 45V. Consistent with GREET, any modeling used for determining lifecycle GHG emissions for pathways involving RNG or biogas directly should include avoided emissions. RNG is derived from the capture, cleaning and conditioning of surface-level emissions from organic waste streams. Methane that otherwise would have emitted into the atmosphere is refined into a clean, reliable energy resource, resulting in a negative displacement effect. We believe GHG emissions associated with production of biomass feedstocks should include avoided emissions benefits from organic waste to RNG or biogas for all GHGs (e.g., methane). This approach is consistent with other regulatory programs that consider lifecycle GHG emissions, including California's Low Carbon Fuel Standard (LCFS) program. Moreover, we encourage Treasury to allow hydrogen producers to qualify their annual production for tax credit eligibility by procuring any amount of low-carbon intensity RNG over the course of the taxable year and calculate an average feedstock carbon intensity based on the actual amounts of RNG and other feedstocks used. Doing so would allow for effective accounting of carbon-negative lifecycle emissions commodities like RNG, which we believe is aligned with the goals of the IRA.

Further, we urge Treasury to permit flexible use of a book-and-claim accounting system under Section 45V, consistent with Congressional intent for implementation of the tax credit. The prescribed use of market-based instruments, including renewable energy credits, renewable thermal credits, renewable identification numbers, or biogas credits, under such a system was confirmed by Senate Finance Committee Chairman Ron

Wyden (D-OR) before IRA passage.¹ RNG sources, including the locations of the captured emissions produced from landfills and dairy waste, are geographically dispersed. RNG also differs from other commodities that may be delivered through accounting systems (i.e., renewable electricity) in that RNG can be distributed through the common carrier U.S. pipeline system, which is fully interconnected across the U.S. and is endowed with substantial existing storage capabilities. Since RNG can both be stored and injected into existing gas pipeline infrastructure, book-and-claim accounting would permit hydrogen producers to receive credit for the RNG and its associated environmental attributes they purchase and inject into the gas grid, even if they do not demonstrate direct receipt of the RNG. Hourly time matching does not apply to the book-and-claim delivery of RNG, since RNG can be stored over long periods of time, making monthly or quarterly accounting periods appropriate.

By leveraging existing pipeline infrastructure, book-and-claim also best facilitates system-wide emissions reduction efforts, consistent with the intent of the IRA to promote clean energy investment across all U.S. jurisdictions. An RNG deliverability requirement would preclude most RNG-to-hydrogen projects from access to the tax credit, thus constraining RNG project development throughout the country. Emissions avoidance via displacement of geologic natural gas with RNG in the gas grid has value irrespective of where in the U.S. the displacement occurs and where the RNG is produced. Use of RNG throughout the natural gas grid is an effective tool for decarbonizing all emissions along the distribution system including the end use applications where the product is delivered.

As a final point, we note that the book-and-claim system is not a new concept and is employed with strict recordkeeping requirements across U.S. and international jurisdictions. It is used in nearly all North American renewable gas procurement programs, most notably reflected in the Environmental Protection Agency's Renewable Fuel Standard, and in LCFS programs in California, Oregon, and British Columbia, as well as Canada at the federal level. Some form of book-and-claim accounting also underlies Renewable Gas or Clean Heat Standard policies in California, Colorado, Minnesota, New Hampshire, Oregon, British Columbia, and Quebec.

The IRA presents a major opportunity to reduce GHG emissions – and was a crucial step toward realizing the Biden administration's climate and energy security goals. We believe the sustainable development, deployment, and utilization of RNG should play a key role in those pursuits. IRA tax credits, including Sec. 45V, are essential to stimulate investment in new RNG production, which requires long-term, fixed price offtake agreements. With properly structured credit facilities, RNG derived from the recycling of organic waste emissions can accelerate cost-effective and significant methane abatement pursuant to the Administration's *U.S. Methane Emissions Reduction Action Plan*. We appreciate your consideration and look forward to working with you toward the successful implementation of the Section 45V tax credit. If you have any questions, please do not hesitate to contact us.

Respectfully submitted,



Johannes Escudero
Founder & CEO
Coalition for Renewable Natural Gas



Shannon Agnielski
President
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Frank Wolak
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Fuel Cell and Hydrogen Energy Association

¹ In the floor debate of the Sec. 45V provision in the Senate, the Senators expressed an intent that in determining “lifecycle greenhouse gas emissions” for this section, the Secretary shall recognize and incorporate indirect book accounting factors, also known as a book-and-claim system, that reduce effective greenhouse gas emissions, which includes, but is not limited to, renewable energy credits, renewable thermal credits, renewable identification numbers, or biogas credits. See, 168 Cong. Rec. S4165-S4166 (daily ed. August 06, 2022) (colloquy between Senators Carper and Wyden regarding section 13204 of the Inflation Reduction Act of 2022).