



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

November 3, 2022

TO THE HONORABLE GENERAL ASSEMBLY OF
THE COMMONWEALTH OF PENNSYLVANIA:

Today, I am signing House Bill 1059, Printer's Number 3613 of 2022, which amends the Tax Reform Code. This legislation passed the General Assembly on October 26, 2022, and, among other provisions, establishes the Pennsylvania Economic Development for a Growing Economy (PA EDGE) program, comprising tax credits available in four key economic areas.

In particular, I supported the tax credit created under Subarticle D, which will help attract a regional clean hydrogen hub in Pennsylvania. I write here to explain that support, and clarify my expectations related to this legislation.

In 2019, I signed Executive Order 20 establishing Pennsylvania's first statewide climate goals, aiming to reduce greenhouse gas emissions by 26 percent by 2025 and by 80 percent by 2050, compared to 2005 levels. Since that time, my administration has worked aggressively towards those goals, even as the climate crisis facing the world has intensified and challenged leaders at all levels to do more to address emissions.

Achieving these reductions, necessary to meet goals of the Paris Climate Agreement and prevent global temperatures from rising by more than 1.5°C, will require a wide variety of technologies and approaches all of which we must pursue with urgency. In its most recent report, the Intergovernmental Panel on Climate Change notes that "hydrogen is a promising energy carrier for a decarbonized world," and highlights hydrogen's potential to "provide low-carbon heat for industrial processes or be utilized for direct reduction of iron ore."¹

Recognizing hydrogen's utility, the Biden administration's Bipartisan Infrastructure Law included \$8 billion in funding to accelerate a shift to clean hydrogen through the establishment of regional clean hydrogen hubs across the country. Partners in Pennsylvania are currently preparing applications to the United States Department of Energy (DOE) to pursue this opportunity and I have repeatedly indicated my support for such a proposal, particularly targeting hard to decarbonize industrial sector end users.

That said, I recognize that in order for hydrogen to play a meaningful role in reducing emissions, we must ensure that the hydrogen used is truly "clean" through stringent emissions standards. We must also commit to strong and equitable community protections to prevent impacts to already overburdened communities and to guide benefits to communities that need them. Each of these imperatives is addressed in HB 1059.

To ensure a strong emissions standard, HB 1059 requires that hydrogen used in a manufacturing facility must "demonstrably aid achievement of the [DOE's] Clean Hydrogen Production Standard . . . by

¹ https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_Full_Report.pdf

mitigating emissions across the supply chain through aggressive carbon capture, by measures to mitigate fugitive methane emissions or by the use of clean electricity or practices . . .” as determined by the DOE. In practice this requirement—which mirrors the standard for approval of a regional clean hydrogen hub—means that this aggressive carbon capture or other commensurate emission mitigation best practices will be a prerequisite for hydrogen produced from natural gas to qualify for the tax credit. But for these strong environmentally protective requirements, I would not be signing this legislation.

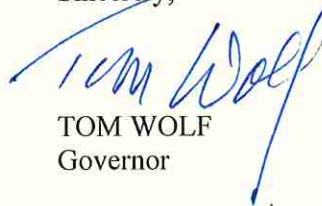
Relatedly, Subarticle D also authorizes a tax credit based on the use of natural gas. This provision was included as a short-term fail-safe in the event that a manufacturing facility is constructed and clean hydrogen is not initially available. While I do not believe that it would be possible for a project facility that has been funded as part of a DOE regional clean hydrogen hub to utilize natural gas instead of hydrogen for a significant duration of time, the bill requires a company applying for the credit to sign a commitment letter stating the date by which it will begin to purchase clean hydrogen. It is my expectation that this period of time would not exceed a year or two.

In terms of my commitment to strong and equitable community protections, HB 1059 includes provisions to ensure that companies receiving state support will make a good faith effort to recruit and employ local workers, and to pay those workers fair family sustaining wages. Additionally, in order to be selected for funding as part of a regional clean hydrogen hub—again, a prerequisite for state support—DOE has made clear that it will require a comprehensive Community Benefits Plan setting forth the applicant’s approach to ensuring that federal investments advance the following four goals: 1) engaging community and labor; 2) investing in the American workforce; 3) advancing diversity, equity, inclusion, and accessibility (DEIA); and 4) contributing to the Justice40 Initiative.² Moreover, once approved, DOE will require funded entities to track and report on several outcomes and outputs related to the Community Benefits Plan. As such, I am confident that a regional clean hydrogen hub sited in Pennsylvania will include significant measures to ensure that host communities have input into and receive benefit from facilities associated with the hub.

Finally, this legislation will also help bring more manufacturing jobs to Pennsylvania by offering a companion incentive to the recently passed federal CHIPS and Science Act. This bill will reduce the cost of constructing and operating chip facilities by creating a new tax credit. This program is a first step to help chip manufacturers and their suppliers build new facilities in Pennsylvania, but we need to continue to invest in order to make Pennsylvania a leader in this industry.

With the understanding articulated above, I am signing HB 1059 and will direct my staff to administer the law accordingly.

Sincerely,



TOM WOLF
Governor

² Department of Energy, Office of Clean Energy Demonstrations (OCED) Bipartisan Infrastructure Law: Additional Clean Hydrogen Programs (Section 40314): Regional Clean Hydrogen Hubs Funding Opportunity Announcement, Funding Opportunity Announcement (FOA) Number: DE-FOA-0002779