The reconciliation legislation, the Build Back Better Act, passed the U.S. House of Representatives on November 19th and proceeds to the U.S. Senate for consideration.

The bill includes a wide array of financial incentives that will drive investment in hydrogen and fuel cell technologies.

**Clean Hydrogen Production Credit** creates a new ten-year incentive for clean hydrogen production tax credit (PTC) with up to $3.00 / kilogram or 30% investment tax credit (ITC). The level of the credit provided is based on carbon intensity.

**Energy Credit** extends the 30% fuel cell ITC through 2026 before a transition to a tech-neutral Clean Energy Investment Credit.

**Energy Storage Credit** adds a new provision to the energy ITC for energy storage, including hydrogen storage, available through 2026.

**Carbon Oxide Sequestration Credit** provides an enhanced rate of $85 per metric ton of carbon oxide captured for storage or $60 per ton of carbon captured and utilized for qualified facilities through 2031.

**Advanced Manufacturing Investment Credit** provides up to 25% of investment costs for advanced manufacturing facilities and a production credit for eligible components.

**Qualified Fuel Cell Motor Vehicles Credit** extends the $8,000 credit for the purchase of light-duty fuel cell motor vehicles through 2031.

**Qualified Commercial Electric Vehicles Credit** creates a new 30% credit for fuel cell medium- and heavy-duty vehicles available through 2031.

**Alternative Fuel Refueling Property Credit** extends the credit through 2031, increases the base 30% credit up to $100,000 and adds an additional 20% uncapped credit for hydrogen refueling stations.

**Advanced Energy Project Credit** revives the credit providing $5 billion in credits each calendar year for 2022 through 2023 and $1.875 billion each year for 2024 through 2031. A portion of funds are designated for projects in automotive communities.

**Elective Payment for Energy Property** adds an election for direct pay provisions to a range of tax credits including the energy ITC, the carbon capture and sequestration credit, alternative fuel vehicle refueling property credit, advanced energy project credit, and clean hydrogen production credit.

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**Clean Hydrogen Production Credit**

The credit provides a varying incentive depending on the carbon intensity of the hydrogen production pathway. The credit measures emissions up to the point of production using the Argonne National Laboratory Greenhouse Gases, Regulated Emissions, and Energy Use in Technologies (GREET) Model. The incentive breakdown is detailed in the following table.

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<table>
<thead>
<tr>
<th>Kg of CO2 per kg of H2</th>
<th>Credit Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 - 4 kg CO2</td>
<td>$0.45 / kg of H2</td>
</tr>
<tr>
<td>4 - 2.5 kg CO2</td>
<td>$0.60 / kg of H2</td>
</tr>
<tr>
<td>2.5 - 1.5 kg CO2</td>
<td>$0.75 / kg of H2</td>
</tr>
<tr>
<td>1.5 - 0.45 kg CO2</td>
<td>$1.00 / kg of H2</td>
</tr>
<tr>
<td>0.45 - 0 kg CO2</td>
<td>$3.00 / kg of H2</td>
</tr>
</tbody>
</table>

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Build Back Better Act

Beyond tax credits and incentives, the reconciliation bill offers a range of other opportunities to engage hydrogen energy and fuel cell technologies throughout the nation’s energy and transportation systems.

- Clean Heavy-Duty Vehicles
- Zero-Emission Port Equipment
- Critical Facility Modernization
- Zero-Emissions Vehicle Infrastructure
- Advanced Technology Vehicle Manufacturing
- Domestic Manufacturing Conversion

Prevailing Wage and Apprenticeship Requirements

In order to qualify for the full credit for many of these tax incentives, taxpayers must now meet several labor requirements that have been added across the Build Back Better Act. Prevailing wage requirements are prevalent throughout the bill so that any laborer or mechanic employed by contractors or subcontractors in the re-equipping, expansion, or establishment of a manufacturing facility or new product construction, alteration, or repair work must be paid wages at rates not less than the prevailing rates for work of a similar character in the locality as determined by the Secretary of Labor. In addition, apprentice to journey worker requirements are also integrated throughout the bill, which set certain ratios of the number of qualified apprentice workers that must be employed for work on qualified facilities.

Facilities that do not meet these wage and apprenticeship requirements are typically only provided a fraction of the total credit available.

Domestic Content Requirements

In addition to labor requirements, many credits also have requirements for domestic content that taxpayers must meet in order to qualify for the full credit amount. These provisions require that any steel, iron, or manufactured product which is a component of a facility be produced in the United States. Many of these provisions phase in over time with facilities required to meet higher percentages of U.S. manufactured goods in subsequent years. There are some exceptions provided for facilities where meeting these requirements would be too costly or if relevant domestic products are not readily available in the quantity or quality needed.

This bill demonstrates strong support for the wide-ranging opportunities for hydrogen to drive decarbonization and economic growth across the United States.