



## Pennsylvania Establishes New Tax Credits to Support Regional Hydrogen Hub Opportunities

On November 3, 2022, Pennsylvania Governor Tom Wolf approved legislation that will provide up to \$50 million of annual tax credits for facilities located in a Pennsylvania regional clean hydrogen hub that use clean hydrogen produced at the hub in manufacturing.<sup>1</sup> The tax credits are available between January 1, 2024 until December 31, 2043, providing up to \$1 billion of credits over the life of the program.<sup>2</sup>

The Pennsylvania tax credits complement federal efforts to foster a clean hydrogen industry through the development of regional clean hydrogen hubs. The federal Bipartisan Infrastructure Law, enacted in November 2021, provided \$7 billion for the Department of Energy (DOE) to establish between six to ten regional clean hydrogen hubs for the development of a domestic clean hydrogen industry.<sup>3</sup>

Under the new Pennsylvania program, the credits are available to taxpayers who have made a capital investment of at least \$500 million to construct a facility in a Pennsylvania regional clean hydrogen hub, have satisfied certain job creation and employment requirements, and who purchase clean hydrogen produced in the Pennsylvania hub for use in manufacturing at the facility.<sup>4</sup> The tax credits will be applied at a rate of 81 cents per kilogram of clean hydrogen purchased.<sup>5</sup> Qualifying taxpayers may also apply for a tax credit of 47 cents per thousand cubic feet of natural gas purchased for use at the manufacturing facility.<sup>6</sup> A qualified taxpayer may assign the tax credits, subject to certain requirements in the statute.<sup>7</sup>

In a press release on the bill, Governor Wolf stressed the role clean hydrogen will play in reducing carbon emissions, and his support for applications for a regional clean hydrogen hub in Pennsylvania.<sup>8</sup> Governor Wolf also addressed the natural gas tax credits, expressing his belief that these will serve as an interim solution in case clean hydrogen is not immediately available for manufacturing facilities in the hub, and that the credits will likely not be used after a one to two-year period.<sup>9</sup>

The Pennsylvania tax credits also complement the new clean hydrogen tax (45V) credit in the recent federal Inflation Reduction Act (IRA), which became law in August 2022.<sup>10</sup> The IRA provides a tax credit of up to \$3 per kilogram of clean hydrogen produced.<sup>11</sup>

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### CONTACT

**JAMES CURRY**

*JCurry@babstcalland.com*  
202.853.3461

**SEAN M. MCGOVERN**

*SMcGovern@babstcalland.com*  
412.394.5439

**LEE BANSE**

*LBanse@babstcalland.com*  
202.853.3463

**Pittsburgh, PA**

Two Gateway Center  
603 Stanwix Street  
Sixth Floor  
Pittsburgh, PA 15222  
412.394.5400

**Washington, DC**

Suite 602  
505 9<sup>th</sup> Street NW  
Washington, DC 20004  
202.853.3455

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1 General Assembly of Pennsylvania, H.B. 1059, Subarticle D, Sec. 1753-L(D)(2) (Oct. 26, 2022).

2 *Id.* at Sec. 1761-L (B).

3 Infrastructure Investment and Jobs Act, Pub. L. 117-58, Sec. 813, 136 Stat. 429, 1008 (Nov. 15, 2021).

4 H.B. 1059, Subarticle D, Sec. 1752-L.

5 *Id.* at Sec. 1753-L(A).

6 *Id.*

7 *Id.* at Sec. 1756-L.

8 <https://www.governor.pa.gov/wp-content/uploads/2022/11/20221103-1059.pdf>.

9 *Id.*

10 Inflation Reduction Act of 2022, Pub. L. 117-169, 136 Stat. 1818 (Aug. 16, 2022).

11 *Id.*, 136 Stat. 1936.

Hydrogen hub concept papers were due to DOE on November 7, 2022, with complete applications due April 7, 2023. DOE anticipates notifying selected applicants in the Fall of 2023.<sup>12</sup> As DOE evaluates proposals over the next year, these new Pennsylvania tax credits may strengthen the various Pennsylvania-related proposals and help drive development of the use of hydrogen within the state.

If you have any questions about this legislation or need additional information about the Pennsylvania clean hydrogen tax credits, please contact Jim Curry at (202) 853-3461 or [jcurry@babstcalland.com](mailto:jcurry@babstcalland.com), Sean McGovern at (412) 394-5439 or [smcgovern@babstcalland.com](mailto:smcgovern@babstcalland.com), or Lee Banse at (202) 853-3463 or [lbanse@babstcalland.com](mailto:lbanse@babstcalland.com).

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12 <https://oced-exchange.energy.gov/Default.aspx#FoaId4dbbd966-7524-4830-b883-450933661811>.

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