

March 24, 2021

Chair Marsh and Committee Members  
House Energy and Environment Committee  
RE: HB 2535

Dear Chair Marsh and committee members:

We write in support of HB 2535 if amended. Climate Solutions is a regional non-profit working to accelerate clean energy solutions to the climate crisis. Founded in 1968, the Oregon Environmental Council (OEC) is a nonprofit, nonpartisan, membership-based organization.

Our organizations are hopeful about the prospects of renewable hydrogen becoming an important source of energy in Oregon. Renewable hydrogen will hopefully prove to be a winner from both a cost-effectiveness perspective as well as from a greenhouse gas perspective. Oregon is well positioned with our Clean Fuel Standard and with our movement toward a clean electricity grid to be a national leader in the renewable hydrogen sector.

**With that said, we have several concerns with HB 2535 as drafted.**

First, a companion bill, SB 333, is under consideration in the Senate. It is a study bill, directing the Oregon Department of Energy and the Legislative Revenue Office to assess the potential benefits and barriers to developing renewable hydrogen in Oregon, and to report back to the 2022 legislature. We think that is a sensible first step and are concerned that deciding to award property tax abatement to renewable hydrogen projects this session puts the cart before the horse, as there may be other, or complementary, policies recommendations that come out of the study. SB 333 should clarify the potential for renewable hydrogen in Oregon and any state incentives that might be needed to move the industry forward.

Second, HB 2535, as drafted, would provide property tax abatement not just for renewable hydrogen projects, but for projects that rely on fossil fuels to create the hydrogen. We support the -1 amendment, which would narrow the tax abatement to truly renewable hydrogen projects and define that term as "green hydrogen." In our view, such tax abatement, if awarded this session, should be limited to projects that create hydrogen either exclusively from renewable electricity (-1), or from grid electricity that is at least 90% non-emitting electricity (e.g. primarily hydro and/or renewable based). Currently BPA power would meet that definition, and as coal is phased out of the PGE and Pacificorp systems, they will qualify as well.

Third, we do not think state subsidies should be used to support development of transportation infrastructure such as acquisition of diesel trucks or development of pipelines to carry renewable hydrogen from where it is produced to end users. Tax abatement for the core equipment used to create the renewable hydrogen (the electrolyzers and associated onsite equipment) is a strong signal of support from the Legislature for the nascent industry. Supporting all transportation related

infrastructure could be costly and we think would be an overreach, particularly given there has been no state study (SB 333) to assess whether it is needed or warranted.

Thank you for consideration of these comments.

Sincerely,

Meredith Connolly  
Oregon Director  
Climate Solutions

Nora Apter  
Climate Program Director  
Oregon Environmental Council