

Alternative Proposal from ACP

ACP recommends Treasury create a **hybrid hourly & annual time-matching** regime that allows projects starting construction before 2028 (“first movers”) to **annual match up to 25%** of their energy use for the life of the tax credit.

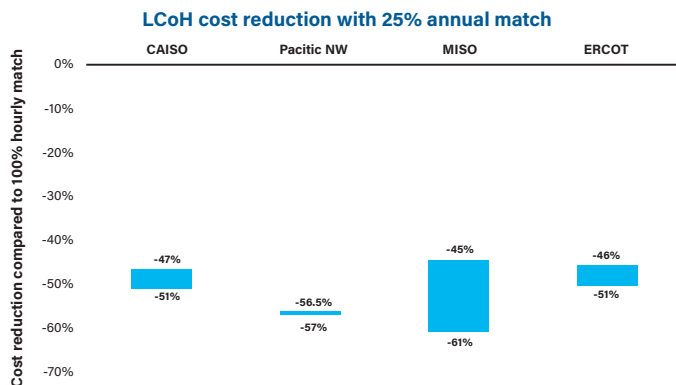
This modest flexibility would allow hydrogen plants to operate more efficiently while keeping emissions below the standard for the highest tier of the tax credit. The higher efficiency achieves a **45-61% production cost savings** compared to full hourly matching for first movers. This more competitive cost profile is critical for this nascent industry to become competitive and scalable.

Background

U.S. Treasury’s proposed 45V guidance stifles the economics, adoption, and deployment of green hydrogen by adopting an overly stringent hourly matching requirement for first movers. A small partial allowance of annual matching for first-mover projects will reduce costs while preserving emissions reduction benefits and enabling green hydrogen to compete with other forms of hydrogen.

Reducing Costs

A 25% annual time-matching allowance would achieve a **45-61% production cost reduction compared to full hourly matching** in regions across the nation and within the DOE green hydrogen hubs (see figure).



Green hydrogen economics must target \$1-2/kg to encourage demand sectors to adopt green hydrogen at scale. This requires a 50% cost reduction by 2030 to be a viable competitor with other forms of hydrogen.

If electrolyzers are required to comply with a stringent 100% hourly regime immediately—like the one proposed in Treasury’s 45V guidance—they will be limited to lower production levels that make projects uneconomic. Full hourly matching means hydrogen facilities may only be able to operate 50% of the time or less.

In comparison, a facility that is able to annual match 25% of their electricity needs can operate more than 75% of the time, which increases production and makes projects financeable.

Increased production means a lower and more competitive cost of hydrogen. This added flexibility means green hydrogen projects will “pencil out,” ultimately reducing costs to where a fully hourly time-matching regime can be imposed without undercutting project economics.

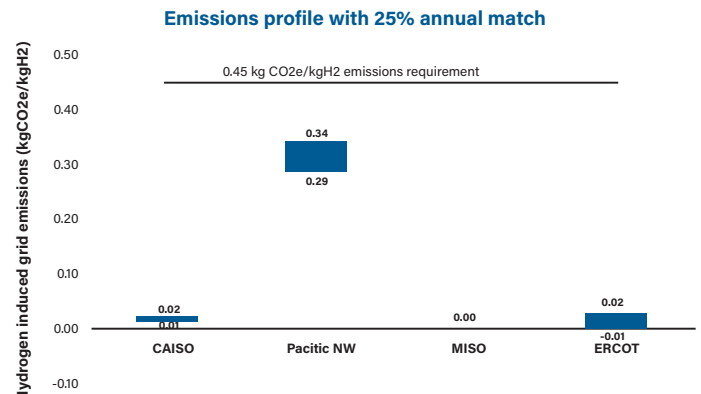
Enabling Scale

By 2032, a 25% partial annual time-matching option for first movers could result in up to 2.3 mmpta. In comparison, Treasury’s proposed guidance would result in a mere 0.9 million mmpta, stifling green hydrogen production up to 60% compared to ACP’s proposal.

Lowering Emissions

A partial 25% annual time-matching path for first movers can produce hydrogen with a carbon intensity low enough to qualify for the highest tier of tax credits, ensuring **compliance with the statute and environmental standards**.

Under this proposal, the carbon intensity of green hydrogen **produced in any region of the country would remain below the statutory emissions standard of 0.45 kg CO₂/kg H₂**.



Any emissions taking place as a result of the hydrogen plant operating on the grid are offset by emissions avoided as a result of new renewable energy added.

The modeling shows if green hydrogen facilities use a partial annual/hourly matching regime, **those facilities can stay within the statutory emissions limits**.

The emissions impact under a 25% annual match is **not a short-to-medium term concern** and will provide a **critical bridge for early mover projects**. In the long run, ACP supports a transition to full hourly matching.