NovoHydrogen, Inc.

NovHydrogen (“Novo”) is pleased to provide comments on potential changes to Washington's Clean Fuel Standard ("CFS") program in response to the CFS Rulemaking Workshop on May 8th, 2024. We appreciate the opportunity to engage with Department of Ecology ("Ecology") staff during this process.

NOVO HYDROGEN

June 7, 2024

Adam Saul, CFS Rule Lead
Washington Department of Ecology
State of Washington
P.O. Box 47600
Olympia, WA 98504-7600

RE: Novo's Comments on Clean Fuel Standard May 8th, 2024 Rulemaking Workshop

Dear Mr. Saul,

NovoHydrogen is pleased to provide comments on potential changes to Washington's Clean Fuel Standard program in response to the CFS Rulemaking Workshop held on May 8th, 2024. We appreciate the opportunity to engage with the Department of Ecology staff during this process.

Novo is a green hydrogen project developer based in the United States with several decades of combined renewable energy development and oil and gas experience throughout North America. Novo brings this expertise to the difficult-to-decarbonize industrial, transportation, and power sectors through the development and supply of green hydrogen. Novo's core areas of focus include the origination, procurement, project development, financial structuring, construction, and operation of green hydrogen production facilities. Oregon is a key market for Novo

We commend Ecology's efforts to improve the CFS program in support of Washington's decarbonization goals. However, we urge Ecology staff to consider the following comments in advance of releasing the draft rules in the summer/fall.

Book-and-Claim of Clean Electricity

1. **Allow electrolytic hydrogen producers to use book-and-claim of low carbon intensity ("CI") electricity for hydrogen used to create sustainable aviation fuel ("SAF")**. In 2022, the federal Government Accountability Office ("GAO") found that while domestic SAF production reached 15.8 million gallons, it only accounted for 0.1% of total jet fuel consumption. GAO identified the high cost of SAF compared to conventional jet fuel as a major deterrent for future deployment. A critical way to scale up the nascent SAF industry is to create incentives for key production inputs such as electrolytic hydrogen. Electrolytic hydrogen facilities often pull power from local grids, combining it with renewable energy certificates ("RECs") to ensure the power supplied is clean. Preventing hydrogen producers from leveraging book-and-claim of low-CI electricity will ultimately drive up the CI of SAF, leading to a higher cost of product. Allowing a book-and-claim methodology for electrolytic hydrogen ensures the hydrogen produced is clean and aligns with the decarbonization goals around the use of SAF in Washington.

2. **Ensure additionality/incrementality requirements for book-and-claim low-CI electricity are deemed satisfied via a demonstrated minimal-emissions approach.** Novo recommends that minimal-emitting generators should satisfy the incrementality

requirement if they are located in a state and U.S. territory that has committed to providing electricity that is 100% generated by minimal-emitting generators prior to January 1, 2045, or that have adopted policies under which new load will not increase grid emissions. In the case of Washington state, the Clean Energy Transformation Act ("CETA") meets these criteria.

3. **Allow RECs from a minimum 5% of hourly generation of existing minimal-emitting electricity generators count towards the incrementality requirements.** As identified by the Department of Treasury ("Treasury") and the Internal Revenue Service("IRS") in the Inflation Reduction Act's Section 45V Clean Hydrogen Production Tax Credit, negative wholesale prices have increased from 2.3% of hours in 2018 to 6.3% of hours in 2022—a nearly 30% average annual increase. As intermittent solar and wind production grows, we expect this figure to grow in tandem. According to the U.S Department of Energy's 2022 Land-Based Wind Market Report, wind power curtailment across all ISOs averaged 4.8% in 2022. Allowing RECs to be used for 5% of hourly generation would not displace renewables from other applications given the current rate of curtailment.

Charging and Fueling Infrastructure Capacity Credits

1. **Extend capacity credits to all privately-owned hydrogen refueling infrastructure ("HRI").** The proposed rules extending capacity credit opportunities to privately-owned refueling/charging sites that serve two or more fleets under separate ownership unfairly disadvantages large industrial facilities (e.g mines, cement manufacturers, etc.) and private fleets that are burdened by capital-intensive, on-site refueling infrastructure. These large industrial facilities may often be isolated and not adjoined with other facilities to be able to accommodate 2 or more fleets. If incentivizing decarbonization of MHD fleets is the goal of this rulemaking, then the credits should be applicable to all private fleets that have the willingness to not only pay a premium that comes with decarbonization, but also change the way they operate today. Moreover, green hydrogen producers (who are commonly separate from the hydrogen offtakers) are the first fuel reporting entity in Washington and thus the credit generators. Capacity credits for privately-owned HRI will further enable hydrogen fuel offtake and spur long-term demand.

We thank you again for the opportunity to provide these comments, and we look forward to continued engagement with Ecology staff.

Sincerely,

Manka Khanna
Chief Commercial Officer
NovoHydrogen