

WRITTEN TESTIMONY FOR THE RECORD

Ways and Means Committee

Green Jobs Hearing

April 14, 2010

**Ruth Cox, Executive
United States Fuel Cell Council**

**Director Jeff Serfass
National Hydrogen Association**

On behalf of the members of the US Fuel Cell Council and the National Hydrogen Association, we urge your consideration of several modest yet important changes in the tax treatment of hydrogen and fuel cells as you consider a tax component to a Green Jobs bill. Many of our suggestions are technical corrections to alter IRS guidelines and, if passed quickly, would enable full use of the tax credits as envisioned by Congress over the past several years. Broader, longer term expansions in the credits are also needed and included below.

Fuel cells and hydrogen, as a part of the clean energy economy, can provide significant green jobs over the next year, as well as significant jobs into the future. While we, today, are focused on short term jobs creation, investing in fuel cells and hydrogen today can, according to the US Department of Energy, create 677,000 jobs by 2035. The Korean Government, which is investing heavily in these technologies, is even more bullish on jobs creating estimating 3 million jobs worldwide by the year 2030; Korea has adopted a 20 year program to capture 20% of those jobs by supplying world demand for fuel cells.

We have estimated that for a cost of approximately \$175M during 2010-2014, the incentive modifications proposed below would likely lead to cost shared state and private investment of some \$680 M, associated economic activity of \$2.75 B and about 13,000 jobs.¹

Like you, we are working hard to mitigate carbon and air pollution, make homes, businesses and our transportation system more energy efficient, increase our energy independence, and encourage job creation. Specifically we ask you to consider the following policy priorities:

Alternative Motor Vehicle Credit Modifications

Modify the 30B credit for hydrogen vehicles for parity with other advanced technologies by removing the sunset date and replacing it with a cap based on each Original Equipment Manufacturer's production. Retain 2009 base credit of \$8,000 per vehicle. Include industrial vehicles such as material handling in the definition of motor vehicles for purposes of hydrogen vehicles in this section.

Alternative Fuel Vehicle Refueling Property Credit

Extend Section 30C from 2010 until at least 2016 to put it in the same time frame as the sunset on other hydrogen and fuel cell provisions. Include as eligible property,

¹ The Connecticut Center for Advanced Technology Inc. concluded in November 2009 that for every job created in the Hydrogen and Fuel Cell industry an additional 1.31 jobs are indirectly supported elsewhere in the economy. Likewise, the revenue multiplier of 1.84 suggests that for each dollar of revenue generated by the hydrogen and fuel cell industry, an additional 84 cents of revenue is received by other businesses. The compensation multiplier of 1.72 indicates that for every \$1.00 paid to employees within the hydrogen and fuel cell industry, an additional 72 cents is paid by other employers in the supply chain. While these economic multipliers have been identified for Connecticut, a similar relationship could be expected for other states

installations that are for refueling of motive power applications (such as material handling) as well as motor vehicle applications, which will move early installations and reduce infrastructure costs. Additionally, we request language ensuring that, in case of hydrogen, generation, compression, storage and all dispensing site property is included, with each dispensing site being considered separately.

Modifications to the Section 48 fuel cell tax credit

Modify Section 48 to provide a more generous credit for highly efficient fuel cell systems. A tiered approach in the credit would further incentivize highly energy efficient systems that go even beyond the already stellar efficiency of fuel cells. A 40% credit, capped at \$4000 per kW is proposed for systems that are at least 60% efficient. Include language clarifying that parts and services are eligible under the section 48 fuel cell tax credit

Tax Parity for Residential Fuel Cells

We propose passage of provisions in H.R. 3660, the Fuel Cell Parity Act of 2009, a bipartisan bill that would modify Section 25 D of the IRS Code. When the dollar limit on the tax credit for fuel cells in industrial and commercial applications was raised to a maximum of \$3,000 per kilowatt, the limit for residential fuel cells remained at \$1000 per kilowatt. We respectfully request this minor adjustment, along with moving the sunset to 2016, to give parity to fuel cells for residential applications so homeowners can benefit to the same extent as businesses.

Clarify the Definition of Hydrogen

Currently, the definition of Hydrogen for purposes of 50 Cents per Gallon Alternative Fuel Tax Credit is being read as for liquid hydrogen only, whereas the definition should include all forms of hydrogen. This can be remedied with the simple deletion of the word "liquefied" in three places.

In addition to these minor changes in existing statute, the Fuel Cell and Hydrogen Industry stand with other clean energy interests in support of the following:

- Extension and expansion of the Grants in Lieu of Tax Credits Program
This program has been hugely important to the fuel cell industry during this economic downturn and has spurred significant sales that would otherwise not have occurred or would have been deferred for several years. We would like to see the grants in lieu of tax credit expanded to cover fuel cell vehicles and infrastructure as well as the section 48 credits
- Tax credits for manufacturing of clean energy technologies
We would advocate, as does the solar energy industry, for a manufacturing tax credit included in Section 48. Alternately, we are supportive of extension of the 49c credit for manufacturing
- For clean energy technologies, remove the constraints on sales to Tax Exempt entities' ability to utilize the credits
Many entities with an interest in fuel cells have been reticent to invest as they receive no tax benefit that will reduce the cost of new technology. This is a problem that extends beyond the fuel cell industry and we advocate a solution.

In conclusion, we have an opportunity with fuel cells and hydrogen, to, with very little investment, create green jobs the economy desperately needs today, while positioning the United States as the leader in the green economy of the future.

Thank you for the opportunity to provide this testimony.