

## **Summary Sheet - HB 2535 Temporary Property Tax Exemption for Hydrogen Projects**

### **What is the issue? What is the solution?**

Electrolytic hydrogen and renewable natural gas are clean, multi-task fuels, which are a key solution to decarbonize the most hard-to-electrify and the most hard-to-decarbonize sectors such as long-term energy storage, transportation, and industry. This bill is a first steppingstone toward concrete and necessary infrastructure and industry development that will allow Oregon to meet its decarbonization goals; without them there is no path to net-zero emissions for the state of Oregon.

There are two pathways to produce the clean fuels from clean resources discussed in this bill:

(1) **Electrolysis.** Electrolytic hydrogen is produced from electricity through the process of electrolysis, in which the electricity splits water into oxygen and hydrogen. Renewable hydrogen is produced through the process of electrolysis from renewable electricity, including surplus renewable electricity.

(2) **Renewable natural gas** is produced from waste sources, including animal, human, and agriculture. On-site hydrogen production from renewable natural gas is an efficient way to produce hydrogen with a negative carbon intensity. It has a negative carbon intensity because the waste would otherwise decompose into gases including methane, which has a higher global warming potential than carbon dioxide.

Renewable hydrogen is an innovative and emerging industry within the United States with significant benefits to our communities, the environment, and our economy. While the sector is considerably more mature in Europe, Asia, and Australia, there are no projects yet in Oregon, though one renewable hydrogen project has been announced in Eugene.

A temporary property tax exemption will help spur the development of this nascent and still expensive technology to the point of competitive maturity and deployment.

The bill offers a temporary tax incentive for electrolytic hydrogen and renewable natural gas developers and utilities who make a commitment to jobs and payroll in the state. This is a similar incentive as already provided to other renewable energy developers in the State of Oregon. For example, ORS 307.175 provides a property tax exemption for various renewable energy systems but unfortunately excludes electrolytic hydrogen and renewable natural gas systems.

### **What are the benefits?**

Such an incentive would lead to job growth, expand the economy, and improve the overall energy reliability and resilience of our regional system. Furthermore, with the passing of this bill, there is an opportunity for Oregon to become the hub for renewable hydrogen across the nation, and therefore, attract greater investment and opportunities from affiliated industries.

By providing this tax incentive, the State of Oregon will give itself a competitive advantage as developers are evaluating investment sites across the West Coast. Washington and California have recently passed favorable legislation to help the renewable hydrogen industry succeed. Aligned with the governor's executive order [EO 20-04](#), such deployments will accelerate the transition to clean energy and fuels, reduce greenhouse gas emissions, and position Oregon as a regional leader of a clean fuels sector.