



Subject: Response to U.S. Department of Energy Clean Hydrogen Production Standard Draft Guidance
To: DOE Hydrogen and Fuel Cell Technologies Office, cleanh2standard@ee.doe.gov
From: San Diego Gas & Electric Company
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Introduction

San Diego Gas & Electric (SDG&E) submits this response to the U.S. Department of Energy's (DOE's) Draft Guidance document for a Clean Hydrogen Production Standard (CHPS),¹ developed to meet the requirements of the Infrastructure Investment and Jobs Act of 2021, also known as the Bipartisan Infrastructure Law (BIL), Section 40315.

SDG&E is a regulated public utility in California that provides energy service to 3.7 million people through 1.5 million electric meters and 900,000 natural gas meters in San Diego and southern Orange counties. Our service area spans 4,100 square miles. SDG&E is a subsidiary of Sempra (NYSE: SRE), an energy services holding company based in San Diego. SDG&E is committed to net zero emissions by 2045. As part of SDG&E's sustainability strategy, SDG&E is exploring the potential of clean hydrogen to help advance state and regional's climate action goals. SDG&E is developing several

¹ See <https://www.hydrogen.energy.gov/pdfs/clean-hydrogen-production-standard.pdf>



pilots to test hydrogen for long-duration energy storage, electric generation, vehicle fueling, and blending into an existing natural gas system.

With regards to the CHPS, SDG&E offers the following comment:

Renewable energy certificates (RECs) purchased for electricity used to manufacture electrolytic hydrogen should be allowable and treated as equivalent from a CO₂ emissions perspective to paired onsite or dedicated clean energy production used for the manufacture of electrolytic hydrogen. Clear rules will need to be developed and implemented in this regard.

Renewable Energy Certificates (RECs) can be utilized as a mechanism to verify the carbon intensity of electricity emissions for grid-connected hydrogen production. Mechanisms are needed to track and account for the physical delivery of renewable electricity to grid-connected green hydrogen production. SDG&E supports leveraging existing infrastructure and systems that have worked for decades under the REC scheme to accelerate green hydrogen market development. An overly burdensome alternative reporting and tracking requirement will impact the cost competitiveness of clean hydrogen and prevent development at-scale, but utilization of the existing REC scheme can provide flexibility for producers and end-users.

Specifically, in the near term, SDG&E supports a “book-&-claim” approach in which RECs can be used to satisfy the “renewable” component of grid-connected hydrogen production. By uncoupling the renewable electricity from the production of hydrogen, SDG&E believes that the DOE can create more flexibility for producers and end-users since RECs can be traded in such a way that emissions decrease on a net basis. SDG&E believes this flexibility is especially required in the ramp-up phase of the hydrogen market. This principle builds on existing principles that allowed REC markets to flourish by providing more flexibility for producers and end-users and helping overcome near-term barriers to large-scale infrastructure development.



Conclusion

SDG&E believes that flexibility should be a key component of the CHPS. Specifically, SDG&E believes the most effective approach for developing a robust hydrogen market would be for the CHPS to begin with an approach that enables broad participation. This flexibility would enable increased stakeholder and industry participation, thereby spurring market development for hydrogen. The DOE should create pathways for existing or planned hydrogen production facilities to demonstrate compliance with the Clean Hydrogen Production Standard and any facilities that can demonstrate compliance with the Standard should be considered eligible for relevant future clean hydrogen funding opportunities.