

April 12, 2018

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The Honorable Autumn Burke
Chair, Assembly Revenue and Taxation Committee
1020 N Street, Room 167A
Sacramento, CA 95814

RE: AB 3000 (Friedman): Sales and Use Taxes – SUPPORT

Dear Chair Burke:

The California Hydrogen Business Council (CHBC) would like to express our strong support for AB 3000 regarding Sales and Use Taxes.

The CHBCⁱ is a California industry trade association with a mission to advance the commercialization of hydrogen in the energy sector, including transportation, goods movement, and stationary power systems to reduce emissions and dependence on oil.

The CHBC supports a sales and use tax exemption from January 1, 2019, through December 31, 2030 for retail hydrogen fuel dispensed in the state.

As background, fuel cell electric vehicles (FCEVs), powered with hydrogen fuel, are now being introduced in larger volumes by automakers including Toyota, Honda, Hyundai. Additional manufacturers are preparing their market entry, like General Motors, Audi, BMW, and Mercedes-Benz. While these vehicles are being commercialized throughout the world, California’s vision and mandate for zero emission vehicles (ZEVs) make the state one of the focal points for the initial introduction and success of FCEVs.

FCEVs can be more than two times more efficient than conventional vehicles. They are fueled with hydrogen gas, which is stored on the vehicle, and they emit no pollutants - only water and heat. Similar to conventional vehicles, they can fuel up in less than 5 minutes and have a driving range of more than 300 miles. Other benefits to FCEVs include increasing U.S. energy security and strengthening the economy.

Hydrogen can be produced from a variety of fuel sources, including renewable electricity and biogas, which supports California’s greening of the transportation sector.


Existing law was established by Executive Order B-48-14, which, among other things, called for a new and ambitious target of five million zero emission vehicles (ZEVs) by 2030. Despite California's stated commitment to a ZEV future, consumer adoption remains a challenge. With just 300,000 zero emission vehicles on California roads today, it is critical that we employ a wide range of near-term tools to encourage and accelerate consumer adoption if we are to achieve our important transportation sector climate change goals.

Fuel cell electric vehicles, like their plug in battery counterparts, are zero emission battery electric vehicles, but are powered by hydrogen. California is one of the largest hydrogen producing states, with its hydrogen fuel sales subject to the sales and use tax. For this reason, California's taxation of zero emission vehicles fuels is inconsistent. Section 6353 of the Revenue and Taxation Code completely exempts electricity from state and local sales and use tax. By exempting hydrogen sold as transportation fuel from the sales and use tax, AB 3000 will simply treat equally the consumers of two differing zero emission vehicle technologies.

Moreover, creating tax parity among technologies will reduce the consumer's cost of ownership and accelerate the adoption of fuel cell electric vehicles. Because of its nascent use as a transportation fuel, fueling costs cannot yet compete with gasoline. However, as the industry grows, the cost of fuel will decline substantially. AB 3000's exemption of hydrogen fuel from the state and local sales and use taxes sunsets on January 1, 2030. This 2030 sunset date reflects industry estimates for fueling costs becoming competitive with gasoline and electricity.

AB 3000 will ensure parity between the taxation of hydrogen and electricity when sold as transportation fuels for zero emission vehicles. In doing so, consumers purchasing fuel cell electric vehicles will be treated equally. The temporary reduction in the cost of hydrogen fuel will ease the transition for consumers into fuel cell electric vehicles.

We look forward to working with your office on the passage of AB 3000.

Sincerely,

Emanuel Wagner
Assistant Director
California Hydrogen Business Council

¹ The views expressed in these comments are those of the CHBC, and do not necessarily reflect the views of all of the individual CHBC member companies. Members of the CHBC include Advanced Emission Control Solutions, Air Liquide Advanced Technologies U.S., Airthium, Alameda-Contra Costa Transit District (AC Transit), American Honda Motor Company, Anaerobe Systems, Arriba Energy, Ballard Power Systems, Bay Area Air Quality Management District, Beijing SinoHytec, Black & Veatch, BMW of North America, California Performance Engineering, Cambridge LCF Group, Center for Transportation and the Environment (CTE), CNG Cylinders International, Community Environmental Services, CP Industries, DasH2energy, Eco Energy International, EIDorado National – California, Energy Independence Now (EIN), EPC - Engineering, Procurement & Construction, Ergostech Renewal Energy Solution, EWII Fuel Cells, First Element Fuel, FuelCell Energy, GenCell, General Motors, Geoffrey Budd G&SB Consulting Ltd, Giner ELX, Gladstein, Neandross & Associates, Greenlight Innovation, GTA, H2B2, H2Safe, H2SG Energy Pte, H2Tech Systems, Hitachi Zosen Inova ETOGAS GmbH, HODPros, Hydrogenics, Hydrogenious Technologies, Hydrogen Law, HydrogenXT, HyET - Hydrogen Efficiency Technologies, Hyundai Motor Company, ITM Power, Ivys, Johnson Matthey Fuel Cells, Kontak, KORE Infrastructure, Life Cycle Associates, Linde North America, Longitude 122 West, Loop Energy, Luxfer/GTM Technologies, McPhy Energy, Millennium Reign Energy, Montreux Energy, National Renewable Energy Laboratory (NREL), Natural Gas Fueling Solutions – NGFS, Natural Hydrogen Energy, Nel Hydrogen, New Flyer of

America, Next Hydrogen, Noyes Law Corporation, Nuvera Fuel Cells, Pacific Gas and Electric Company - PG&E, PDC Machines, Planet Hydrogen, Plug Power, Port of Long Beach, PowerHouse Energy, Powertech Labs, Primidea Building Solutions, Proton OnSite, RG Associates, Rio Hondo College, Rix Industries, Sacramento Municipal Utility District (SMUD), SAFCell, Schatz Energy Research Center (SERC), Sheldon Research and Consulting, Solar Wind Storage, South Coast Air Quality Management District, Southern California Gas Company, Sumitomo Corporation of Americas, Sunline Transit Agency, T2M Global, Tatsuno North America, The Leighty Foundation, TLM Petro Labor Force, Toyota Motor Sales, True Zero, United Hydrogen Group, US Hybrid, Verde, Vinjamuri Innovations, Volute, WireTough Cylinders, Zero Carbon Energy Solutions.