April 1, 2019

The Honorable Cottie Petrie-Norris  
California State Assembly, AD 74  
P.O. Box 942849  
Sacramento, CA 94249-0074

Re: AB 745 (Petrie-Norris) Retail Hydrogen Fuel Tax Exemption - SUPPORT

Dear Assemblymember Petrie-Norris:

On behalf of the California Hydrogen Business Council (CHBC), I write in strong support of your AB 745, which would exempt the sale of hydrogen fuel for zero emission fuel cell vehicles from the state and local sales and use tax (SUT) for a limited time.

The CHBC 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.

Hydrogen for transportation is gaining momentum in the State, but is still subject to taxes that other zero-emission fuels are not, specifically sales and use taxes. Section 6353 of the Revenue and Taxation Code completely exempts electricity from the state and local SUT for plug-in battery ZEVs, while retail hydrogen fuel sales are subject to the SUT. This is inconsistent with state policy, such as Executive Order B-48-18, which seeks to advance both battery and fuel cell electric ZEV technology, and must be resolved.

Removing these taxes on hydrogen fuel temporarily would help reduce the cost of hydrogen fuel, putting FCEVs on a more even playing field with other ZEVs, while industry works to build out in-state hydrogen production that will enable the scale and industry competition required to make hydrogen more cost competitive with gasoline and make the exemption less necessary.

Despite California’s stated commitment to a zero emission vehicle (ZEV) future, consumer adoption remains a challenge – only 2.6% of new vehicle purchases in 2017 were ZEVs. With just over 300,000 ZEVs on California roads today, deploying a wide range of near-term tools to encourage and accelerate consumer adoption is critical to achieving the states’ ambitious transportation sector climate change goals.
Key to success will be giving consumers a greater number of economical choices. While BEVs are an important option, FCEVs can attract customers looking for longer ranges, faster fueling times, lighter weight, or freedom from reliance on electricity infrastructure. AB 745, by ensuring parity between the taxation of hydrogen and electricity when sold as transportation fuel for ZEVs, will accelerate this expansion of consumer choice. This will, in turn, bring California closer to meeting its clean air and greenhouse gas reduction goals, while ensuring that state and local governments are not adversely affected.

For these reasons, CHBC is proud to stand in strong support of AB 745, which will encourage early adoption of FCEVs in California.

Sincerely,

Emanuel Wagner
Deputy Director
California Hydrogen Business Council

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