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Transmitted electronically to: Consultation-Legislation@fin.gc.ca

RE: “Delivering Major Investment Tax Credits” - Feedback on Clean Hydrogen ITC

Energy Storage Canada (ESC) is the national trade association dedicated to accelerating the deployment of energy storage projects and technologies. ESC is pleased to provide comments on the draft Clean Hydrogen Investment Tax Credit (ITC). Energy storage is one of a critical suite of grid flexibility solutions which will be critical to bridging the gap between variable clean electricity sources, such as wind and solar, as well as inflexible clean electricity sources, such as nuclear or gas with CCS, and an escalating, likely more peak heavy, demand on the electricity system. Clean hydrogen represents an important form of energy storage which will help Canada to achieve both a net-zero electricity sector as well as a net-zero economy more broadly.

To that end, ESC supports the prompt implementation of the Clean Hydrogen ITC with the following recommendations and feedback:

- Eligible Power Purchase Agreements (PPAs)
 - ESC strongly supports the move to allow for clean electricity to be purchased from offsite clean electricity projects via PPAs. Energy storage is especially important in the process of decarbonizing legacy thermal based electricity systems such as in Alberta and Ontario and there must be paths to market for low carbon hydrogen to be electrolytically produced. The inclusion of the use of PPAs represents a substantial improvement over simply utilizing the carbon intensity of grid electricity in the LCA calculation or co-locating with clean electricity projects and will allow electrolytic hydrogen to be flexibly produced near where it is consumed.
 - However, ESC believes that the more flexibly clean electricity can be linked with clean hydrogen production, the better. ESC recommends the ITC allow eligible clean electricity facilities 36 months from when a facility assumes commercial operation to when a hydrogen production facility, in line with what is utilised in the EU Delegated Acts on Renewable Hydrogen and the US Clean Hydrogen Production Tax Credit (PTC). Additionally, ESC recommends that PPAs supplying eligible clean hydrogen production not be restricted to the same province.
- Excluded Property
 - ESC recommends that equipment used for “off-site storage” of hydrogen and derived ammonia be included under the ITC. It may not always make sense to store hydrogen at the point of production and storage of hydrogen the more flexibly an electrolytic hydrogen production and storage system may be built, the better. ESC recommends that it be clarified that off-site storage be allowed when linked to a source of ITC eligible hydrogen production

Very best regards,



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