



Mr. Jonathan Booe
Executive Vice President
North American Energy Standards Board
1415 Louisiana Street, Suite 3460
Houston, TX 77002

September 5, 2024

RE: Comments on the NAESB Draft Hydrogen Contract

Dear Mr. Booe,

The Alliance Risk Group (Alliance) appreciates the opportunity to comment on NAESB's Draft Hydrogen Contract. These comments are based on our extensive experience in the energy commodity space and our more recent experience in the Clean Hydrogen space. The more recent experience includes supporting the Marketplace Development Working Group of the Center for Houston's Future (CHF) and the Hydrogen Sales and Purchase Agreement Working Group of the Association of International Energy Negotiators (AIEN).

We have four main comments:

1. **Thanks for this Initiative.** The hydrogen market is maturing – and a standard Hydrogen contract by NAESB will accelerate that maturation.
2. **Thanks for key provisions in this contract.** We appreciate NAESB building on its experience in the various natural gas markets (e.g., Standard, Renewable, Certified, Liquid) to provide a good starting foundation for this Hydrogen contract. Some of the features we particularly see helping the hydrogen market maturation include:
 - a. Carbon Intensity (CI) rather than colors – so as to facilitate the creativity and fungibility of clean H₂ across multiple technologies and fuels,
 - b. Multiple modes of Transport – we do not have a universally accessible pipeline for hydrogen as we do for natural gas or power, so we need to allow for multiple modes of transporting hydrogen
 - c. Energy Attribute Certificate (EAC) –and the need for Certification, Verification and Tracking; as discussed more below, this will help the fungibility and liquidity of the hydrogen market.
 - d. Linking the H₂ to a specific facility, which will help verify the CI of hydrogen and the appropriate EACs and give market participants and key stakeholders greater confidence in the market transactions.
3. **Differentiation of the Carbon Intensity (CI) by Production vs Delivery.** The market place and methods for measuring CI will probably mature sooner for H₂ Production than for H₂ Delivery. In the US, this will be particularly true since the 45V tax credits in the Inflation Reduction Act are focused on the CI of H₂

Production. Having said that, many ultimate buyers will be focused on the full CI of clean H2 – both production and delivery. So having both CI numbers as separate numbers will support market growth and maturation.

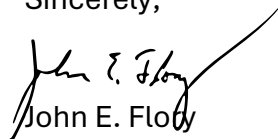
4. Support both Bundled and Unbundled Energy Attribute Certificates (EACs). Our interpretation of the current contract is that it assumes that the EACs are purchased “bundled” with the physical hydrogen. That is, one cannot transact in an EAC unless the transaction also includes the physical hydrogen. We believe that the contract should allow for the EACs to also be procured on an unbundled basis as well as bundled with hydrogen. Our reasons include:

- a. Consistent with Renewable Energy Credits (RECs) for Electricity.** The Edison Electric Institute (EEI) Master Power Agreements and the International Swaps and Derivatives Association (ISDA) Power Annex allow RECs to be traded bundled or unbundled from physical power. As the Treasury 45V guidance notes, RECs are a type of EAC and “an EAC may be acquired with or separately from the underlying energy it represents.” Thus, NAESB allowing EACs to transact separately from physical hydrogen has other precedents.
- b. Enhances Market Liquidity and Investment.** Allowing EACs to transact on an unbundled basis allows more entities to transact in the market and provides a greater access to capital for investment in new facilities.

We do note that although EACs can be traded separated from physical hydrogen, Treasury guidance for EACs, like industry guidance on RECs, is very rigorous in the required information that a Qualified Registry must maintain about the EAC. Thus, most of the information in NAESB’s Clean Hydrogen Confirmation is still needed for unbundled EACs to insure the integrity of the marketplace.

Jonathan, again we thank NAESB for its initiative in this area. We are happy to answer any questions and assist in moving the Hydrogen contract effort forward.

Sincerely,



John E. Floty
Executive Managing Director

Cc: Michael C. Prokop, Managing Director