

SUBJECT: Establishing a hydrogen infrastructure, vehicle, and equipment program

COMMITTEE: Environmental Regulation — committee substitute recommended

VOTE: 9 ayes — Landgraf, Guerra, K. Bell, Dean, Kuempel, J. Lopez, Meza, Morales Shaw, Reynolds

0 nays

WITNESSES: None

BACKGROUND: Some have suggested that adopting cleaner, hydrogen-based technologies for vehicles and infrastructure may help reduce pollution emissions.

DIGEST: CSHB 4885 would require the Texas Commission on Environmental Quality (TCEQ) to establish and administer the Texas hydrogen infrastructure, vehicle, and equipment grant program as part of the Texas Emissions Reduction Plan, with the goal of encouraging the adoption of hydrogen infrastructure, vehicles, and equipment.

Under the program, TCEQ would determine eligibility and provide funding for eligible projects to offset the incremental cost of projects that reduced nitrogen emissions from high-emitting sources in nonattainment areas and affected counties of the state. Projects that could be considered for a grant under the program would include:

- hydrogen infrastructure implementation projects;
- purchase or lease of hydrogen vehicles or equipment;
- replacement of vehicles or heavy-duty equipment with newer hydrogen vehicles or equipment;
- the repower of vehicles or heavy-duty equipment with engines that ran on hydrogen; and
- use of hydrogen fuel.

A project would not be eligible if it was required by any state or federal

law, regulation, memorandum, or other legally binding document.

Application package. TCEQ would be required to develop a simple, standardized application package for grants under the program, including:

- an application form;
- a brief description of the program, the projects eligible for funding, the selection criteria and evaluation process, and any required documentation;
- the name of a person or office to contact for more information;
- an example of the contract that an applicant would be required to execute before receiving a grant; and
- any other useful information to inform the applicant and expedite the application process.

Application review procedures. Under the bill, TCEQ would review all grant applications. If an application was incomplete, TCEQ would notify the applicant with an explanation of what was missing from the application. TCEQ would evaluate completed applications and make a final determination on an application as soon as possible.

TCEQ would be required to make every effort to expedite the review and award process. To the extent possible, TCEQ would coordinate project review and approval with any timing constraints related to project purchases or installations that would be made by an applicant.

TCEQ could deny an application for a project that did not meet the applicable project criteria or that was not made in good faith, was not credible, or was not in compliance with the goals of the program.

Subject to availability of funds, TCEQ would award a grant in conjunction with the execution of a contract that obligated TCEQ to make the grant and the recipient to perform the actions described in the application. The contract would incorporate provisions for recapturing grant money in proportion to any loss of emissions reductions compared with the volume of emissions reductions that were projected in awarding the grant.

Recaptured grant money would be deposited in the fund and reallocated for other projects under the program.

Changes to Texas Emission Reduction Plan Fund. The bill would revise provisions authorizing uses for the Texas Emission Reduction Plan Fund to specify that 8 percent of the fund could be shared between the grant program created by CSHB 4885 and the existing new technology implementation grant program. Not more than \$8 million from this percentage could be used for the hydrogen infrastructure, vehicle, and equipment grant program.

The bill would change the amount that could be used for the Texas natural gas vehicle grant program from 10 percent to 7.5 percent. The bill would change the cap on funds that could be used by TCEQ for administrative costs from \$16 million to 15 percent. The bill would change the amount that could be used for the light-duty motor vehicle purchase or lease incentive program from 5 percent to 2.5 percent.

Changes to other grant programs. The bill would specify that projects that reduced emissions from downstream oil and gas production could be considered for a grant under the program for new technology implementation to reduce emissions from facilities and other stationary sources.

The criteria for qualifying vehicles eligible to receive funding under the Texas Natural Gas Vehicle Grant Program would prioritize awarding grants in the following amended order:

- qualifying vehicles for which more than 75 percent of the annual use of the vehicle, either in terms of mileage or fuel use, occurred in the clean transportation zone;
- qualifying vehicles for which more than 75 percent of the annual use of the vehicle occurred in counties in which an interstate highway was located, or occurred in a combination of these counties and the clean transportation zone; and
- qualifying vehicles not described above that would produce the

greatest emissions reductions.

The bill would specify that a heavy-duty or medium-duty on-road vehicle being replaced by a vehicle that qualified for a grant would have to have been registered anywhere in Texas rather than in a county located in the clean transportation zone for the two years preceding the submission of a grant application.

The bill would eliminate the condition for receiving the grant that more than 75 percent of the annual use of a qualifying vehicle would have to occur in the clean transportation zone.

The bill would take effect September 1, 2023 and apply only to a grant awarded on or after that date.