



Economic Incentives for the Texas Hydrogen Industry

November 13, 2024

Texas Hydrogen Alliance General Member Meeting

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Government Incentives



Hydrogen
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Federal Incentives

- Clean Hydrogen Production Tax Credit (Inflation Reduction Act of 2022)
- Regional Clean Hydrogen Hubs Program “H2Hubs” (Infrastructure Investment and Jobs Act, 2021)
- Investment tax credit for building a clean hydrogen production facility (Inflation Reduction Act of 2022)
- <https://afdc.energy.gov/fuels/laws/HY?state=US>

Texas Incentives -- State

- Jobs, Energy, Technology and Innovation (JETI) Act
- Chapters 312 and 380/381 of the Local Government Code
- Texas Enterprise Fund
- Texas Hydrogen Infrastructure, Vehicle, and Equipment (THIVE) grant program (HB 4885)

Texas Incentives – JETI Act

- School district property tax incentive
- Replaced the Chapter 313 program
- Establishes a valuation cap for school M&O taxes
- Applications reviewed by the Comptroller, and the project must be agreed to by the school district

Texas Incentives – JETI Act (cont'd) ...

- Limited to certain eligible projects
- Establishes job-creation, salary, and benefit requirements
- Establishes minimum project size tied to county population
- The Governor's office is a party to the final agreement

Texas Incentives – JETI Act (Eligible Projects) ...

- Manufacturing facilities
- Facilities related to the development of natural resources
- Facilities engaged in R&D or manufacture of high-tech
- Critical infrastructure projects
- **EXCLUDES electric energy storage facilities**

Texas Incentives – JETI Act (Eligible Projects) ...

- Manufacturing facilities
- Facilities related to the development of

Sec. 403.623. RULES AND FORMS. (a) The comptroller shall adopt rules necessary to implement and administer this subchapter, including

- EXCLUDES electric energy storage facilities

Texas Incentives – JETI Act (Manufacturing facilities) ...

“a manufacturing facility, classified in NAICS 31-33”

Texas Incentives – JETI Act (Manufacturing Facilities) ...

3251	Basic Chemical Manufacturing
325110	Petrochemical Manufacturing
325120	Industrial Gas Manufacturing
325130	Synthetic Dye and Pigment Manufacturing
325180	Other Basic Inorganic Chemical Manufacturing
325193	Ethyl Alcohol Manufacturing
325194	Cyclic Crude, Intermediate, and Gum and Wood Chemical Manufacturing
325199	All Other Basic Organic Chemical Manufacturing

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Texas Incentives – JETI Act (Manufacturing Facilities) ...

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3251	Basic Chemical Manufacturing
325110	Petrochemical Manufacturing
325120	Industrial Gas Manufacturing
	Plastic and Pigment Manufacturing

31-33”

325120	325120	325120	Hydrogen manufacturing
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325194	Cyclic Crude, intermediate
325199	All Other Basic Organic Chemical Manufacturing

Texas Incentives – JETI Act (Eligible Projects) ...

- Manufacturing facilities
- **Facilities related to the development of natural resources**
- Facilities engaged in R&D or manufacture of high-tech
- Critical infrastructure projects
- EXCLUDES electric energy storage facilities

Texas Incentives – JETI Act (Development of nat'l resources)

“A facility related to . . . Mining, Quarrying, and Oil and Gas Extraction, classified in NAICS 21”

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<u>Codes</u>	<u>Titles</u>
21	Mining, Quarrying, and Oil and Gas Extraction
2111	Oil and Gas Extraction
211120	Crude Petroleum Extraction
211130	Natural Gas Extraction
2121	Coal Mining
212111	Bituminous Coal and Lignite Surface Mining
212112	Bituminous Coal Underground Mining
212113	Anthracite Mining
2122	Metal Ore Mining
212210	Iron Ore Mining

Texas Incentives – JETI Act (Eligible Projects) ...

- Manufacturing facilities
- Facilities related to the development of natural resources
- **Facilities engaged in R&D or manufacture of high-tech**
- Critical infrastructure projects
- EXCLUDES electric energy storage facilities

Texas Incentives – JETI Act (R&D or mfg of high-tech)

“A facility . . . classified in NAICS 5417, or
manufacture of high-tech equipment or technology”

Texas Incentives – JETI Act (R&D or mfg of high-tech)

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<u>Codes</u>	<u>Titles</u>
5417	Scientific Research and Development Services
541713	Research and Development in Nanotechnology
541714	Research and Development in Biotechnology (except Nanobiotechnology)
541715	Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology)

Texas Incentives – JETI Act (Eligible Projects) ...

- Manufacturing facilities
- Facilities related to the development of natural resources
- Facilities engaged in R&D or manufacture of high-tech
- **Critical infrastructure projects**
- EXCLUDES electric energy storage facilities

Texas Incentives – JETI Act (Critical infrastructure projects)

“a **liquid *natural gas*** terminal or storage facility,
classified in NAICS 424710”

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424710	424710	424710	Bulk stations, petroleum, merchant wholesalers
424710	424710	424710	Compressed liquefied petroleum gas (LPG) bulk stations and terminals, merchant whol
424710	424710	424710	Crude oil terminals, merchant wholesalers
424710	424710	424710	Diesel fuel bulk stations and terminals, merchant wholesalers
424710	424710	424710	Fuel oil bulk stations and terminals, merchant wholesalers
424710	424710	424710	Gasohol bulk stations and terminals, merchant wholesalers
424710	424710	424710	Gasoline bulk stations and terminals, merchant wholesalers
424710	424710	424710	Heating oil bulk stations and terminals, merchant wholesalers
424710	424710	424710	Jet fuel bulk stations and terminals, merchant wholesalers
424710	424710	424710	Kerosene bulk stations and terminals, merchant wholesalers
424710	424710	424710	Liquefied petroleum gas (LPG) bulk stations and terminals, merchant wholesalers
424710	424710	424710	Lubricating oils and greases bulk stations and terminals, merchant wholesalers
424710	424710	424710	Oil, petroleum, bulk stations and terminals, merchant wholesalers
424710	424710	424710	Petroleum and petroleum products bulk stations and terminals, merchant wholesalers

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Texas Incentives – JETI Act (Critical infrastructure projects)

“a **liquid *natural gas*** terminal or storage facility,
classified in NAICS 42410”



Texas Incentives – JETI Act (Critical infrastructure projects)

“pipelines and . . . facilities, . . . used . . . in the gathering, transportation, treating, storage, or **processing of CO2, oil, gas, or other minerals**, and the liquefied or gaseous substances . . . derived from those minerals through refining, processing, or other methods, classified in **NAICS 486**”

Texas Incentives – JETI Act (Critical infrastructure projects)

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<u>Codes</u>	<u>Titles</u>
486	Pipeline Transportation
4861	Pipeline Transportation of Crude Oil
486110	Pipeline Transportation of Crude Oil
4862	Pipeline Transportation of Natural Gas
486210	Pipeline Transportation of Natural Gas
4869	Other Pipeline Transportation
486910	Pipeline Transportation of Refined Petroleum Products
486990	All Other Pipeline Transportation

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Texas Incentives – JETI Act (cont'd) ...

- Limited to certain eligible projects
- **Establishes job-creation, salary, and benefit requirements**
- Establishes minimum project size tied to county population
- The Governor's office is a party to the final agreement

Texas Incentives – JETI Act (Jobs, salary, and benefits) ...

- Required job minimums vary by county size:
 - Under 100k: 10 required jobs
 - 100k-250k: 35 required jobs
 - 250k-750k: 50 required jobs
 - **Over 750k: 75 required jobs**
- Jobs must be created by end of first incentive year
- If the project is in two counties, smaller requirements apply

Texas Incentives – JETI Act (Jobs, salary, and benefits) ...

- Salary and benefit requirements apply to Total Jobs at project
- Salaries for all persons employed at project must exceed **110% of annual wage for all jobs in industry sector**
- Must offer and contribute to a group health benefit plan for each full-time employee at project

Texas Incentives – JETI Act (cont'd) ...

- Limited to certain eligible projects
- Establishes job-creation, salary, and benefit requirements
- **Establishes minimum project size tied to county population**
- The Governor's office is a party to the final agreement

Texas Incentives – JETI Act (minimum project size) ...

- Required investment minimums vary by county size
 - Under 100k: \$20 million
 - 100k-250k: \$50 million
 - 250k-750k: \$100 million
 - **Over 750k: \$200 million**
- If the project is in two counties, smaller requirements apply

Texas Incentives – JETI Act (minimum project size) ...

- Investment minimums must be met by the end of the 1st tax year of the incentive period.
- Investment can include real property improvements and tangible property (other than inventory).
- Project must be located in a reinvestment or enterprise zone.

Texas Incentives – JETI Act (The Incentive)

- Tax valuation cap at 50% of the market value of the property for each tax year. (Determined by county appraiser)
- 25% cap if the project is in a federal Opportunity Zone.
- Incentive period is 10 consecutive tax years.
- Start of the incentive period may be delayed up to 10 years.

Texas Incentives – JETI Act (Findings by the Comptroller)

- The Comptroller must determine that the project is reasonably likely to generate local tax revenue sufficient to offset the incentive.
- The Comptroller must also determine that incentive is a **“compelling factor in a competitive site selection determination, and that in the absence of the agreement, the applicant would not make the proposed investment in this state.”**

Texas Incentives -- State

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Texas Incentives – 312

- Chapter 312 incentive programs are available for cities and counties to use.
- Chapter 312 agreements are limited to tax abatements.
- Chapter 312 abatements are limited to 10 years.
- Cities and counties must establish an economic development plan before Chapter 312 can be used.

Texas Incentives – 380 & 381

- Chapter 380 incentive programs are available for certain cities to use; Chapter 381 is available for counties.
- Chapter 380/381 allow for grants and loans instead of abatements.
- Establishment of a formal economic development plan is required.

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- **Texas Enterprise Fund**
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Texas Incentives – TEF

- Texas Enterprise Fund is run out of Governors office
- Viewed as a “deal closing” fund.
- Project competition must be narrowed to one Texas location and at least one out-of-state location.
- Typical project has at least 100 new jobs and \$10 million invested.
- Grant is a cash award as job-creation milestones are met.

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Texas Incentives – THIVE

- HB 4885 (2023)
- Creates a hydrogen infrastructure, vehicle, and equipment grant program under the Texas Emissions Reduction Plan (TERP).
- \$16 million appropriated for fleet conversion grants.
- Program administered by Texas Commission on Environmental Quality.

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