



ANTONIO VAZQUEZ

MEMBER

CALIFORNIA STATE BOARD OF EQUALIZATION

MEMORANDUM

Date: June 11, 2024

To: Sally J. Lieber, Chair
Ted Gaines, Vice Chair
Mike Schaefer, Board Member, Fourth District
Malia M. Cohen, State Controller

From: Antonio Vazquez, Board Member, Third District

Re: **June 25, 2024 Board Meeting, Proposed Informational Hearing on Property Tax Implications for California-Based Regional Clean Hydrogen Hub (H2Hubs) Development.**

Issue:

On October 13, 2023, Governor Newsom announced that the U.S. Department of Energy awarded California \$1.2 billion to accelerate the development and deployment of clean renewable hydrogen energy and H2Hubs statewide. [California Selected as a National Hydrogen Hub | Governor of California, California Awarded Up to \\$1.2 Billion to Advance Hydrogen Roadmap and Meet Climate and Clean Energy Goals - California Governor's Office of Business and Economic Development](#) An additional \$11 billion for funding 39 projects by state and private industry partners is anticipated to help develop and build hydrogen energy infrastructures including pipelines, hydrogen powered trucks and buses, fueling stations, and liquefaction facilities. The H2Hubs will be concentrated in various regions in the state: specifically, Los Angeles, Oakland, Sacramento, and San Diego.

This emerging industry presents to the BOE and our County Assessors a new set of opportunities, challenges and questions that will need to be addressed, and a new group of stakeholders, experts, and interested parties who will depend on our guidance and assistance in the property tax arena. Information, input, discussion, and even planning at an early stage with state and federal agencies, energy industry experts, and local jurisdiction representatives involved in H2Hub development is important so that unnecessary hurdles are avoided, and the proper information is disseminated to all stakeholders as well as the public.

Nexus:

As our primary constitutional function, the BOE assesses certain public utilities and other specified properties such as pipelines, flumes, canals, ditches, and aqueducts, as well as property owned or used by regulated railway, telegraph, or telephone companies, railroad car companies, and companies transmitting or selling gas or electricity. Additionally, the BOE oversees the assessment practices for the 58 County Assessors, who are charged with valuing over 13 million assessments each year. Most likely, both state and local assessment authorities and functions and BOE guidance will be involved in the development and build-out of the H2Hubs, pipelines, and other facilities.

Background:

In the Infrastructure Investment and Jobs Act of 2021 (IIJA), the United States Congress authorized \$8 billion in the creation of Regional Clean Hydrogen Hubs (H2Hubs) to address the multiple challenges facing the emerging renewable fuel and green industries. Compared to the European Union's robust and proactive hydrogen energy programs, the U.S. is still in the early stages of hydrogen energy production and implementation. In fact, the U.S. produces very little hydrogen energy, has very few users, and has almost no linkages or interconnectivity between hydrogen resources and facilities. To solve these challenges, the legislation calls for each H2Hub to establish a network of clean hydrogen producers, potential clean hydrogen consumers, and infrastructure to produce, process, store, transport, and use hydrogen energy.

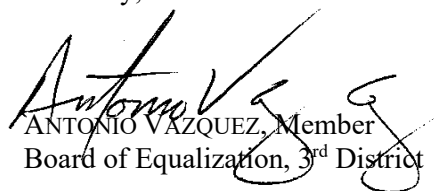
Proposal:

As our core responsibility is to ensure property tax laws are administered by the BOE and County Assessors fairly, equitably, and efficiently, I respectfully propose and recommend that the Board host an Informational Hearing at the September 2024 Board meeting to gather information and receive input for the purpose of identifying and analyzing the property tax implications of H2Hubs and their ancillary facilities – focusing on, but not limited to determining:

1. The property tax impacts of H2Hubs.
2. Whether further rulemaking is needed for H2Hubs and other emerging renewable fuel and green industries.
3. Which emerging renewable fuel and green industries, under current law, should either be state or locally assessed.
4. Staff capacity and if additional training is needed.
5. Additional workload issues this industry may bring forward.
6. Any problematic issues regarding the assessment of this industry (federal vs. state, exemptions, obsolescence, etc.).
7. Estimated revenue and agency costs associated with H2Hubs or related industries.
8. Educational, outreach, and marketing campaigns for regional and local governments, County Assessors, as well as various stakeholders.

Thank you for your consideration and support.

Sincerely,


ANTONIO VAZQUEZ, Member
Board of Equalization, 3rd District

Ms. Deborah Bautista-Zavala, Chief Deputy, Office of Member Antonio Vazquez
Mr. Douglas Winslow, Chief Deputy, Office of Chair Sally J. Lieber
Mr. Matt Cox, Chief Deputy, Office of Vice Chair Ted Gaines
Mr. Cody Petterson, Chief Deputy, Office of Member Mike Schaefer
Mr. Hasib Emran, Deputy State Controller
Ms. Yvette Stowers, Executive Director