

ETHANOL PROVISIONS IN THE INFLATION REDUCTION ACT

The Inflation Reduction Act (IRA) includes key provisions designed to further lower the carbon intensity of biofuels, deliver more savings at the pump, provide greater long-term energy security, and more economic activity in rural communities.

IRA IMPACTS AND NEXT STEPS

SECTION 45Z

clean fuel production (CFPC)
tax credit
(Section 13704)

Section 45Z, also known as the Clean Fuel Production Credit (CFPC), provides a brand-new tax credit for fuels relative to how low their carbon intensity (CI) score is against a baseline level, defined as 50 CI (kg CO₂e/mmbtu) in statute, under the Argonne Greenhouse gases, Regulated Emissions, and Energy use in Transportation (GREET) model (for non-aviation fuel). The value of this credit is \$0.02 cents per gallon for each CI point under 50. Entities can qualify for fuel produced and sold between 2025 and 2027.

GROWTH PRIORITIES:

- Ensuring the Treasury Department accounts for all technologies when determining the CI tables for ethanol as required by law.
 - » This includes things such as carbon sequestration, sustainable farming, and renewable electricity, among others.
- Clarifying that a decision on utilizing 45Z and 45Q will be a yearly election.

SECTION 45Q

carbon capture
tax credit
(Section 13104)

Section 45Q provides a tax credit on a per-ton basis for CO₂ that is sequestered or utilized. The IRA extended the 45Q credit for carbon sequestration and utilization through 2032, raised the rates to \$85/ton for sequestration and \$60/ton for utilization, provided recipients satisfy the prevailing wage and apprenticeship requirements, and allows for direct pay of the incentive.

GROWTH PRIORITIES:

- Ensuring a wide range of commercial applications are eligible for the utilization component of the credit.
- Ensuring entities can qualify for both 45Q and 40B, the SAF standalone credit.
- Clarifying direct pay transferability, specifically if 45Z counts against the 5 years of direct pay.

SECTION 40B

sustainable aviation fuel (SAF)
tax credit
(Section 13203)

Section 40B, is a sustainable aviation fuel (SAF) tax credit. The IRA provides five years of SAF tax incentives. In 2023 and 2024 SAF will qualify for a standalone blenders credit (40B) if the fuel reduces lifecycle greenhouse gas emissions by at least 50 percent. The value of this credit is determined on a sliding scale, equal to \$1.25 plus an additional \$0.01 for each percentage point by which the lifecycle emissions reduction of such fuel exceeds 50 percent. Then, SAF incentives will become part of 45Z from 2025 to 2027.

GROWTH PRIORITIES:

- Clarifying that the GREET model can be used to determine lifecycle emissions for SAF.
 - » GREET is only specified for “non-aviation fuel” but meets the criteria for SAF modeling contained in the IRA.