U.S. Department of the Treasury, IRS Release Guidance to Drive American Innovation, Cut Aviation Sector Emissions

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Biden-Harris Administration Partners Announce Updated GREET Model to Measure Lifecycle Emissions from Sustainable Aviation Fuels

WASHINGTON – Today the U.S. Department of the Treasury and Internal Revenue Service (IRS) released guidance on the Sustainable Aviation Fuel (SAF) Credit established by the Inflation Reduction Act (IRA), part of President Biden's Investing in America agenda to create good-paying jobs and reduce climate pollution by spurring innovation in the aviation industry.

The Treasury Department worked closely with Biden-Harris Administration partners, including the Environmental Protection Agency (EPA), Department of Transportation (DOT), Department of Agriculture (USDA), and Department of Energy (DOE) on today's Notice.

"President Biden's Inflation Reduction Act is driving American innovation to create good-paying jobs and help the U.S. clear hurdles in our clean energy transition," said **U.S. Secretary of the Treasury Janet L. Yellen.** "Incentives in the law are helping to scale production of low-carbon fuels and cut emissions from the aviation sector, one of the most difficult-to-transition sectors of our economy. Today's guidance provides additional clarity and certainty to companies and producers."

"Sustainable aviation fuel is a key part of the Biden-Harris Administration's efforts to transition the American economy to a clean energy future and rebuild the middle class from the bottom up to the middle out in rural America," said **U.S. Secretary of Agriculture Tom Vilsack**. "Today's announcement is an important stepping stone as it acknowledges the important role farmers can play in lowering greenhouse gas emissions and begins to reward them through that contribution in the production of new fuels. This is a great beginning as we develop new markets for sustainable aviation fuel that use home grown agricultural crops produced using climate smart agricultural practices. USDA will continue to work with our federal agency partners to expand opportunities in the future for climate smart agriculture in producing sustainable aviation fuel."

"The guidance released today reflects the latest data and science needed to help create new economic opportunities for America's agricultural sector," said **U.S. Secretary of Energy Jennifer M. Granholm**. "This interagency effort will help our climate goals take flight with cheaper, cleaner sustainable aviation fuel -- ensuring America maintains an innovative edge on the global clean technology stage."

"Innovation in the aviation sector has brought our country and our world together and now, it's fueling the solution to meet our ambitious net-zero carbon emission goals," said **U.S. Secretary of Transportation Pete Buttigieg**. "Today's announcement will strengthen America's position as a leader in the production of sustainable aviation fuels, help cut carbon emissions, and create a better future for all Americans."

"The Inflation Reduction Act's tax credit for sustainable aviation fuels is a critical tool for decarbonizing air travel," said **John Podesta, Senior Advisor to the President for International Climate Policy.** "Today's announcement of an updated GREET model and Treasury guidance is a big step forward for American farmers, for American innovation, for American jobs, and for America's ability to cut carbon pollution from our transportation sector and protect our planet."

The Treasury Department's guidance provides important clarity around eligibility for the SAF Credit. The credit incentivizes the production of SAF that achieves a lifecycle greenhouse gas emissions reduction of at least 50% as compared with petroleum-based jet fuel. Producers of SAF are eligible for a tax credit of $1.25 to $1.75 per gallon. SAF that achieves a GHG emissions reduction of 50% is eligible for the $1.25 credit per gallon amount, and SAF that achieves a GHG emissions reduction of more than 50% is eligible for an additional $0.01 per gallon for each percentage point the reduction exceeds 50%, up to $0.50 per gallon.

As part of today's guidance, the agencies comprising the SAF Interagency Working Group (IWG) are jointly announcing the 40B SAF-GREET 2024 model. This model provides another methodology for SAF producers to determine the lifecycle GHG emissions rates of their production for the purposes of the SAF Credit.

The modified version of GREET incorporates new data, including updated modeling of key feedstocks and processes used in aviation fuel and indirect emissions. The modified GREET model also integrates key greenhouse gas emission reduction strategies such as carbon capture and storage, renewable natural gas, and renewable electricity.

The Notice released today also, on a pilot basis, incorporates a USDA pilot program to encourage the use of certain Climate Smart Agriculture (CSA) practices for SAF feedstocks. Incorporating CSA practices into the production of SAF provides multiple benefits, including lower overall GHG emissions associated with SAF production and increased adoption of farming practices that are associated with other environmental benefits, such as improved water quality and soil health.

For corn ethanol-to-jet, the pilot provides a greenhouse gas reduction credit if a "bundle" of certain CSA practices (no-till, cover crop, and enhanced efficiency fertilizer) are used. It similarly would allow a greenhouse gas reduction credit for soybean-to-jet if the soybean feedstock is produced using a “bundle” of applicable CSA practices (no-till and cover crop). This is a pilot program specific to the 40B credit, which is in effect for 2023 and 2024.

To credit CSA practices in the Clean Fuel Production Credit (45Z), which becomes available in 2025, the agencies will do further work on modeling, data, and assumptions, as well as verification. A new 45Z-GREET will be developed for use with the 45Z tax credit.

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