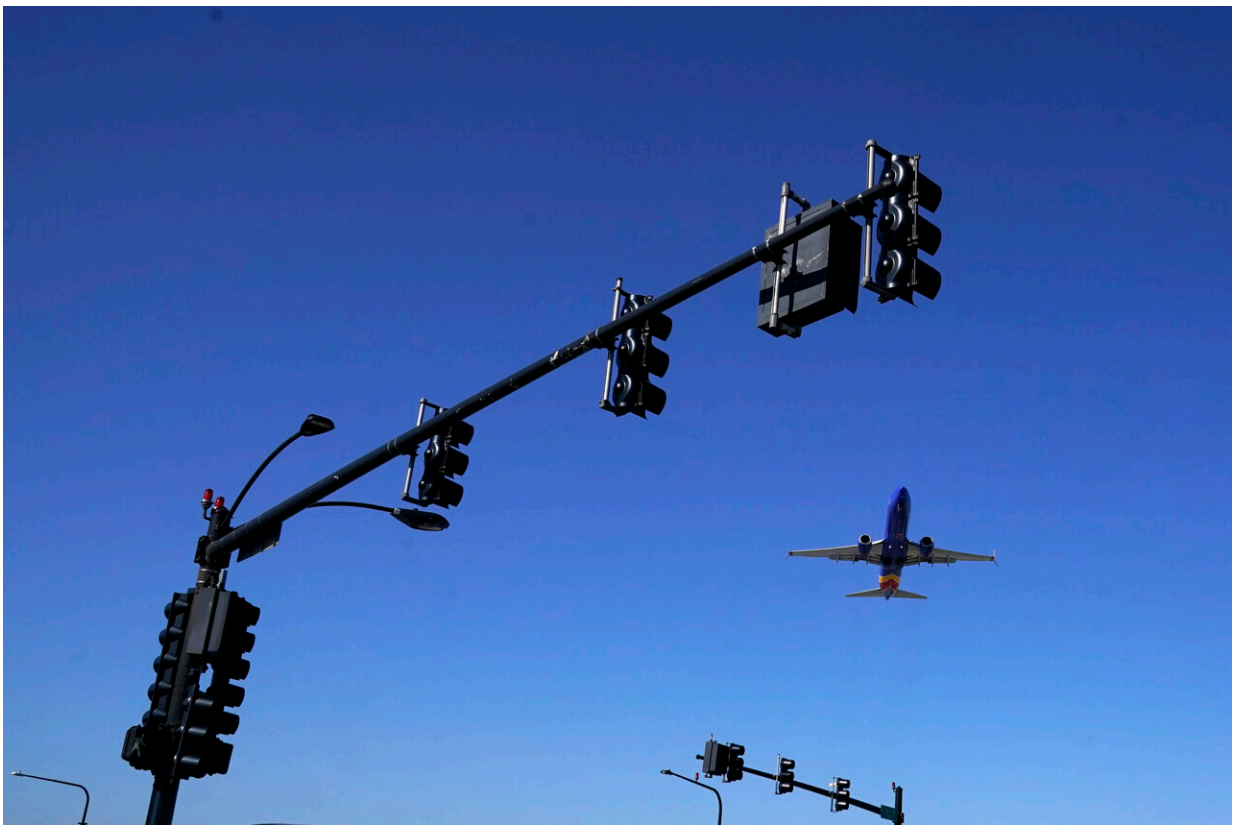


US Treasury Department issues guidelines around a new tax credit for sustainable aviation fuel

December 15 2023, by David Koenig



A flight departs Chicago's Midway International Airport on Memorial Day, Friday, May 26, 2023, in Chicago. The Treasury Department on Friday, Dec. 15, issued long-awaited guidance around tax credits for aviation fuel that reduces emissions of greenhouse gases compared with conventional fuel. Credit: AP Photo/Charles Rex Arbogast, File

The Biden administration released long-awaited guidance on Friday around tax credits for aviation fuel that reduces emissions of greenhouse gases compared with fuel made from crude oil.

Some environmentalists expressed concern that the Treasury Department guidelines could allow credits for fuel made from corn and other crops that they consider poor choices because of the water and other resources needed to grow them.

Midwest lawmakers and companies that produce corn-based ethanol praised the guidelines, although their enthusiasm could be short-lived.

Congress approved the credits as part of President Joe Biden's Inflation Reduction Act of 2022, which included provisions designed to boost cleaner energy. The credits are designed to increase the supply and bring down the current high price of sustainable aviation fuel, or SAF.

Producers will be eligible for tax credits ranging from \$1.25 to \$1.75 per gallon, depending on how much their fuel reduces emissions compared with conventional products such as kerosene-based jet fuel.

On a key issue—and after months of deliberations—the Treasury Department accepted measuring those emission reductions by using a model that was developed by the U.S. Energy Department and which is supported by the ethanol industry.

However, Treasury said the Biden administration plans to update the model by March 1, leaving uncertainty around the eventual tax treatment of ethanol used to power airplanes.

Treasury said the update will include "new modeling of key feedstocks and processes used in aviation fuel," and will consider the impact on emissions from growing crops used to make the fuel.

The Environmental Defense Fund said it would withhold final judgment on the guidelines until March, but that Friday's guidelines could put the U.S. out of step with international standards.

"Our initial assessment is that this would be a blank check for fuels made from sugar cane, soybean and rapeseed—none of which are sustainable or consistent with Congress' intent," said the group's senior vice president, Mark Brownstein.

Ethanol supporters countered that the Energy Department model provides a precise way to measure the benefits of agricultural feedstocks used in sustainable aviation fuel.

The standard "is great, and I'm glad that Treasury is finally realizing it," said Sen. Joni Ernst, a Republican from Iowa, a major corn-producing state.

Airlines for America, a trade group for the biggest U.S. carriers, praised the Treasury guidelines, which it said "will help to accelerate the production and availability of SAF and stimulate new investment."

Around 2% to 3% of global greenhouse gas emissions come from aviation, according to estimates, but that share is expected to grow as air travel continues to boom. Widespread use of electric-powered airplanes is generally considered decades away.

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