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December 3, 2022

Internal Revenue Service
CC:PA:LPD:PDR (Notice 2022-58)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

Via electronic submission

Re: Internal Revenue Service Request for Comments on Credits for Clean Hydrogen and Clean Fuel Production (Notice 2022-58)

To whom it may concern:

The American Soybean Association (ASA) appreciates the opportunity to submit comments as Treasury and IRS consider methodologies for the lifecycle greenhouse gas emissions of aviation and non-aviation biofuels. ASA represents approximately 500,000 soybean farmers on domestic and international policy issues important to the soybean industry and has 26 affiliated state associations representing 30 soybean-producing states. American soybean growers have long been committed to producing the world's food, feed, fuel, and thousands of other bioproducts in a sustainable and climate-smart way.

Biomass-based diesel was developed with the support of soybean farmers and helped offset lost demand for soybean oil after the Food and Drug Administration started regulating trans fats in 2006. Soybean growers and other worked to promote commercial production of biodiesel made from soybean oil – a product that supports farmers and rural economies and diversifies the fuel supply while also reducing greenhouse gas (GHG) emissions as a drop-in fuel that can be used in diesel engines on the road today. Since first developing biodiesel, the renewable fuel industry has identified pathways to develop soybean-oil based renewable diesel and SAF.

The growth of the overall biomass-based diesel industry has been spurred by strong federal and state-level policies that promote cleaner, lower-carbon energy sources. Increased utilization of biomass-based diesel over the past several years has had a marked impact on the rural economy. Domestic markets use over 3.1 billion gallons of biomass-based diesel which support over 75,200 jobs – many in rural America – and creates an economic impact of $23.2 billion[1]. Looking ahead, the biomass-based diesel industry is poised for additional growth with the advent of the SAF industry.

[1] LMC International, 2022. *Economic Impact of Biodiesel on the United States Economy 2022*. Clean Fuels Alliance America.

Establishment of Emissions Rate for Sustainable Aviation Fuel: What methodologies should the Treasury Department and IRS consider for the lifecycle greenhouse gas emissions of sustainable aviation fuel for the purposes of § 45(b)(1)(B)(iii)(II)?

As Treasury and IRS consider methodologies to calculate lifecycle greenhouse gas emissions of SAF for the purposes of the tax credit established in the Inflation Reduction Act, ASA encourages consideration of modeling that uses the best available scientific data, methods that are consistent among different fuel types that rely on similar feedstocks, and that will ensure the continued availability of feedstocks like domestic soy oil to meet U.S. emissions goals.

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) lifecycle analysis methodology is not preferred for the purposes of §45Z tax credits. The CORSIA model relies on direct and indirect land use change (ILUC) assumptions that heavily penalize the carbon intensity values of sustainable aviation fuels (SAF) produced from U.S. crops and crop-based oils. These penalties are largely a driven by outdated data, foreign agricultural practices, and inconsistent methodological approaches. The data and methods used to generate these estimates do not represent American agriculture or biofuel production.

The Inflation Reduction Act (IRA) places emphasis and priority on supporting domestic resources, jobs, and opportunities; however, failure to include a reasonable alternative methodology for the purposes of § 45Z(b)(1)(B)(iii)(II) would accomplish the opposite for the U.S. agriculture industry. For example, under the current CORSIA default methodology, SAF produced from domestically grown soybeans would suffer inflated lifecycle GHG emission rates and not be eligible for § 45Z tax credits. Yet, fuels produced from those same feedstocks used in non-aviation applications would likely qualify due to the different GHG assessment methods contemplated in the IRA.

Treasury and the IRS should consider adopting the Argonne GREET model for the purposes of § 45Z(b)(1)(B)(iii)(II) and for purposes of § 40B(E)(2) as described for non-aviation biofuels in § 45Z(b)(1)(B)(ii). Argonne GREET and its endogenous CCLUB module satisfies the criteria under § 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H). Consistency in lifecycle analysis methodology is critical to establishing a level playing field for SAF and other clean fuels – e.g., if IRS were to adopt the CORSIA methodology for calculating lifecycle GHG emissions under § 45Z(b)(1)(B)(iii), crop-based SAF would be penalized with an inflated ILUC factor that other crop-based clean fuels are not penalized with.

For assignment of provision values, where ILUC estimates of certain crops like Canola may not be currently available through GREET's CCLUB module. We encourage IRS to rely on results generated from other U.S federal lifecycle exercises such as the recently published canola oil renewable diesel rule from EPA. Finally, for feedstocks which do not have ILUC scores published under CCLUB, a separate federal program, we recommend IRA use Purdue University's Global Trade Analysis Project (GTAP) model to calculate ILUC.

Significant precedent exists for the use of GTAP in combination with GREET. For example, GREET's endogenous ILUC model CCLUB relies on estimates of land use change from GTAP. The California Air Resources Board has used GREET and GTAP for their life cycle analysis in their Low Carbon Fuel Standard.

Conclusion

U.S. soybean growers have long been supporters in the development of cleaner, low-carbon fuels, and sustainable aviation fuel provides the industry with new and exciting opportunities. A vibrant oilseed sector, and the biofuels produced from oilseeds, is critically important to lowering GHG emissions in the United States' fuel supply. For the carbon reduction to be optimized, federal programs that support the development and production of low carbon fuels must use the most recent and best data to calculate emissions reductions.

ASA is eager to work with Treasury and IRS to support the role of agriculture in diversifying aviation fuel supply and supporting cleaner fuel options in the U.S. On behalf of America's soybean farmers, we appreciate this opportunity to comment and look forward to collaborating with stakeholders to enact policies that will address climate change while expanding the use of soy-based biofuels and market opportunities for soybean farmers.

Sincerely,

Brad Doyle
President, ASA