Internal Revenue Service December 2, 2022
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Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 2004

Re: Request for Comments on Credits for Clean Fuel Production

The Great Plains Institute for Sustainable Development (Great Plains Institute) respectfully submits the following comments in response to the request from the Department of the Treasury and the Internal Revenue Service for comments on the clean fuel production credit under § 45Z. The Great Plains Institute is a nonpartisan, nonprofit organization that is transforming the energy system to benefit the economy and environment. We appreciate the opportunity to comment on this important incentive, which—if designed right—will support innovation in the clean fuel sector and reduce greenhouse gas emissions from vehicles.

The Great Plains Institute supports the implementation of performance-based emissions intensity standards for transportation fuels that are aligned with the goal of reducing greenhouse gas emissions. Rather than mandating the production of a certain type or amount of alternative fuel, performance-based standards provide the highest incentives for the lowest carbon fuels. Under this approach, if an alternative fuel does not achieve meaningful greenhouse gas emissions reductions compared to gasoline, it does not stand to benefit meaningfully from the incentive.

To ensure that the clean fuel production credit under § 45Z achieves its intended purpose to spur innovation and reduce greenhouse gas emissions, incentive payments must be tied to a fuel producer's unique production processes. Rather than assigning an average carbon intensity for each fuel type, this program must allow producers to lower the emissions rates for their fuels based on the carbon reduction strategies they implement. The guidance and associated emissions rate table tied to the production credit should account for opportunities to reduce emissions throughout the fuel production process, from feedstock production to fuel combustion. This should include practices such as carbon capture and storage, renewable energy use, biomass combustion for fuel, and others.

This granular approach should also include dynamic emissions factors for farm-level emissions from biofuel feedstock production—which make up a significant portion of overall biofuel emissions—and allow for unique carbon intensity calculations based on farm-level practices such as crop yield, tillage intensity, fuel use, and fertilizer management. Including farm-level emissions will provide the most accurate carbon intensity calculations to ensure the policy is achieving its intended goals, and will promote further adoption of "climate-smart" agricultural practices on America's farms. The Department of the Treasury and the Internal Revenue Service should also clarify how these farm-level practices will be incorporated into the lifecycle analysis calculation.

A clean fuel tax credit that is truly performance based—and that accounts for lifecycle emissions throughout the production process— would provide the financial incentives needed for fuel producers and farmers to implement innovative processes to meaningfully reduce their greenhouse gas emissions. It would also ensure that all Americans see increased access to lower-carbon, often lower-cost fuel alternatives. The Great Plains Institute appreciates your consideration of our comments and looks forward to continuing to engage in this process.

Sincerely,

Brendan Jordan
Vice President, Transportation & Fuels
Great Plains Institute