

June 11, 2025

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, D.C.

The Honorable Mike Crapo
Chairman
U.S. Senate Committee on Finance
Washington, D.C.

Dear Majority Leader Thune and Chairman Crapo:

We are writing today to emphasize the importance of having transferability authority for the full term of the 45Z Clean Fuel Production Credit. Transferability expands the tax equity pool for biofuel producers and provides clear options to smaller entities that make up much of the biofuel sector.

Section 6418 of the Internal Revenue Code allows taxpayers to sell or transfer certain clean energy tax credits, including the section 45Z credit, to unrelated parties. This mechanism is crucial for smaller taxpayers with a tax burden that is smaller than the tax credit they earn; without transferability, these entities would be unable to claim their full earned credit each year and would be forced to defer the excess credit to future tax years. By facilitating the immediate sale of tax credits to taxpayers with a larger tax burden, small clean fuel producers can quickly monetize their credits and accelerate their investment in clean fuel production. Unfortunately, section 112010 of the One Big, Beautiful Bill Act that passed the House repeals transferability for the Clean Fuel Production Credit for fuel produced after December 31, 2027, eliminating one of the most important mechanisms for achieving the credit's goal of facilitating increased clean fuel production.

Biofuels and their supply chains, including ethanol, biodiesel, renewable diesel, renewable natural gas, and SAF producers; farmers; processors; and enzyme producers, play an essential role in unleashing American energy dominance. Biofuels provide critical markets for American farmers. They lower prices at the pump, helping families fighting inflation and insulating American families from price manipulation by foreign, state-owned oil exporters. Biofuels strengthen rural communities, grow the U.S. bioeconomy, create manufacturing jobs that can't be moved overseas, support domestic processing, and drive national economic growth.

The Section 45Z Clean Fuel Production Credit recognizes the value this sector delivers to the U.S. economy and provides a key tool to meet increasing demand from the on-road and aviation sectors. Transferability optionality is critical to the efficiency of this credit, helping to ensure that biofuel producers realize the full value of 45Z in the near-term rather than slowly recouping the value over years or having to enter into expensive and complicated and tax equity structures. Transferability stimulates investments in rural communities and increases demand for U.S. agriculture products. This authority also simplifies the process for smaller producers that make up the bulk of the biofuel sector by allowing them to transfer credits to local entities rather than attempting to access the national tax equity market.

We urge the Senate to extend transferability authority for the full term of the 45Z Clean Fuel Production Credit.

