



# INCENTIVIZING INNOVATION

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The clean-fuel tax incentives enacted in recent years reflect a clear national priority: **Strengthening America's domestic energy supply while encouraging the production of cleaner, more efficient fuels made here at home.**

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With the Clean Fuel Production Credit (45Z) taking effect in 2025, the United States is poised to expand the role of American-grown feedstocks and domestically produced low-emission fuels in meeting the nation's energy, economic, and security needs. As a brand-new incentive, 45Z continues to progress through the rulemaking and guidance process, and many of its operational details are still being clarified. Ethanol producers began to work with the credit for the first time in 2025, incorporating it into business planning and evaluating how it will shape investment decisions throughout its duration.

For renewable fuel producers, 45Z represents an opportunity to stimulate further efficiency

gains, agricultural productivity, and technological improvements. The credit is structured to recognize cleaner production pathways, support facility-level improvements, and reward measurable reductions in lifecycle greenhouse gas emissions.

Alongside 45Z, the 45Q credit for carbon capture and utilization pathways remains an important tool for reinforcing energy stability and operational flexibility. For biorefineries, 45Q offers an additional means to improve environmental performance and diversify revenue streams, further anchoring domestic fuel production in rural communities.

As Treasury and other federal agencies finalize rules governing eligibility, lifecycle modeling, verification requirements,

feedstock tracing, and credit interactions, producers will continue adapting to the new framework. Ongoing regulatory updates in 2026 and beyond will define how these tax incentives function in practice and how reliably producers can incorporate them into long-term strategies.

The intent of 45Z and related incentives is clear: **Stronger markets for American-made fuels, more resilient rural economies, enhanced national energy security, and steady progress in reducing greenhouse gas emissions. As these credits take hold, they have the power to shape a more reliable, affordable, and domestically sourced energy future.**

## TAX CREDITS EXPLAINED

**The Carbon Capture Tax Credit (45Q)** provides a performance-based tax credit for carbon management projects that capture carbon oxides (carbon dioxide and carbon monoxide) from eligible industry and power facilities and directly from the atmosphere. The 45Q tax credit can be claimed when an eligible project has securely stored the captured carbon dioxide in appropriate dedicated geologic formations, including saline or other geologic formations, or oil and gas fields; or reused the captured CO<sub>2</sub> or carbon monoxide as a feedstock to produce low- and zero-embodied carbon products such as fuels, chemicals, and building materials.

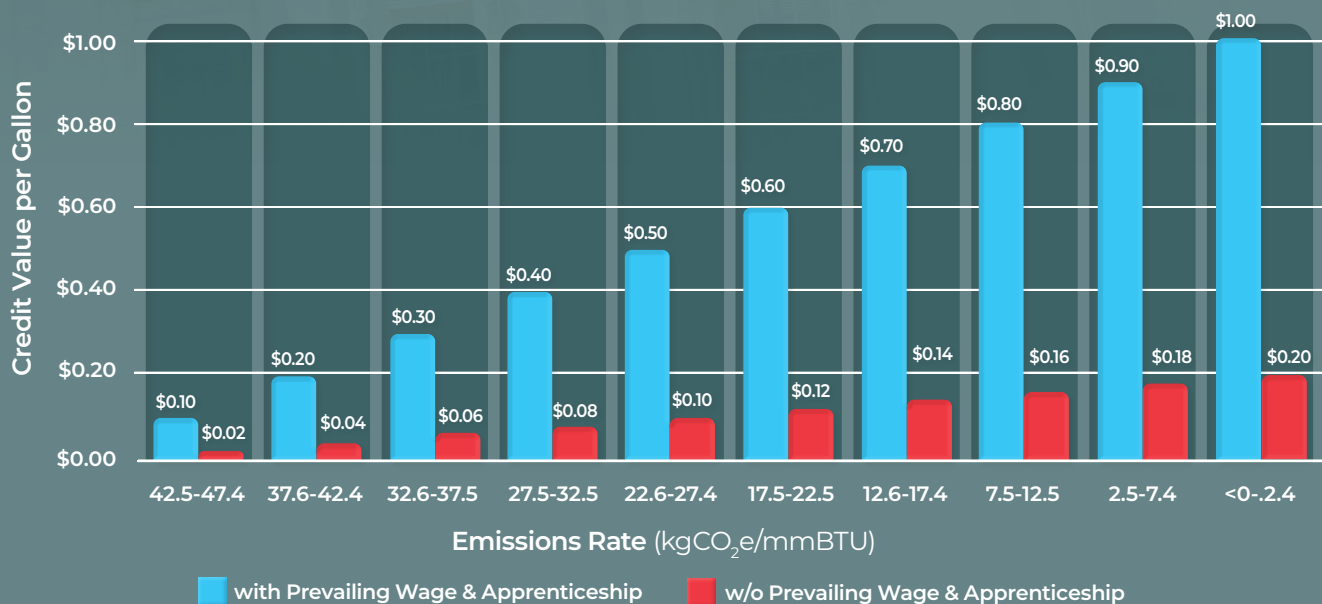
Created in the 2022 Inflation Reduction Act, the **Clean Fuel Production Credit (45Z)** is meant to stimulate investment in production of lower-carbon fuels, especially for sustainable aviation fuel. It provides a credit worth \$0.10–\$1.00 per gallon for non-aviation fuels based on carbon intensity for 2025–2027 tax years, and \$0.18–\$1.75 per gallon for aviation fuels. Producers must meet prevailing wage and apprenticeship requirements (PWA) or credit values are cut by 80%. The One Big Beautiful Bill Act extended the credit through 2031; removed indirect land-use change emissions from emissions rates; prohibited fuels made from crops not grown in the U.S., Canada, or Mexico; removed the SAF premium; and eliminated “transferability” after 2027.

## IMPROVING 45Z

RFA urges Congress and the Trump administration to work together to establish a fair, transparent, and forward-looking fuel tax credit framework. Specifically, RFA urges the following improvements to the 45Z provision:

- **Make prevailing wage and apprenticeship requirements more workable for an established industry with stable employment and contractor relationships**
- **Incorporate farming practices into 45Z and enable book-and-claim tracking for better supply chain flexibility and transparency**
- **Congress should consider more effective approaches for stimulating alcohol-to-jet (sustainable aviation fuel) production**
- **Ensure policy follows science to maximize emissions reductions and innovation**

## 45Z CREDIT VALUES



Source: RFA