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Bipartisan bill would extend blenders tax credit

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A bipartisan group of lawmakers has proposed legislation to extend an expiring tax credit for biodiesel and renewable diesel that are blended into the US fuel supply.

The bill, which was introduced by representative Mike Carey (R-Ohio) and is pending before the House of Representatives' Ways and Means Committee, would specifically extend a credit offering \$1/USG for blenders of biomass-based diesel through 2025. The credit is otherwise set to expire at the end of this year and be replaced in January by the Inflation Reduction Act's 45Z credit, which will be more generous to fuels with lower carbon intensities.

The text of the bill has not yet been released. A provision in the bill that would restrict fuel from also qualifying for the reinstated credit for blenders, a provision that

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seems to primarily benefit fuel imports. The expiring biodiesel credit allows fuel produced outside the US to qualify, since the credit is claimed by blenders instead of producers, while the new 45Z credit is specifically for refiners producing fuel in the US.

The US administration's timeline for finalizing guidance around 45Z is unclear, to the frustration of biofuels groups that have warned that prolonged uncertainty could jeopardize planned investments aimed at boosting production and feedstock supply.

An extension of the existing biodiesel credit could potentially provide more certainty to the biofuels supply chain. Fuel retailers that had previously warned that shifting the credit from blenders to producers will raise fuel prices for consumers, including the National Association of Truck Stop Owners and the Society of Independent Gasoline Marketers of America, commended Carey's proposal.

But the tax credit extension would also upend other incentives driving biofuel production. The 45Z credit offers up to \$1/USG for road fuels, but incentives are more generous the fewer greenhouse gas emissions a fuel produces, whereas the expiring credit does not adjust benefits based on carbon intensity.

In addition, prolonging incentives to import fuels could hurt domestic producers and lead to wider biodiesel and renewable diesel availability, potentially weighing on prices of renewable identification number (RIN) credits that refiners submit to regulators to comply with the renewable fuel standard. Market participants have generally expected that prices for RINs, which also act as a source of revenue and incentive to produce low-carbon fuels, will rise next year to account for 45Z providing less of a subsidy than the expiring credit.

Clean Fuels Alliance America, which represents biomass-based diesel and sustainable aviation fuel companies, declined to comment or take a position on the legislation. But the group said that it would continue advocating for President Joe Biden's administration to swiftly propose and finalize 45Z guidance.

The bill currently has four sponsors, three Republicans and one Democrat, but it is tough to gauge how broad support for any credit extension would be within Congress. It is not uncommon for Congress to pass legislation near the

end of the year extending or reinstating tax credits that would have otherwise expired, and various energy tax credits were [extended](#) in Congress' lame duck session after the 2020 presidential election.

By Cole Martin

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