



August 27, 2021

The Honorable Nancy Pelosi
 Speaker of the House
 1236 Longworth House Office Building
 Washington, D.C. 20515

The Honorable Richard Neal
 Chairman
 House Committee on Ways & Means
 1102 Longworth House Office Building
 Washington, D.C. 20515

The Honorable Charles Schumer
 Senate Majority Leader
 322 Hart Senate Office Building
 Washington, D.C. 20510

The Honorable Ron Wyden
 Chairman
 Senate Committee on Finance
 219 Dirksen Senate Office Building
 Washington, D.C. 20510

Dear Speaker Pelosi, Majority Leader Schumer, Chairman Neal, and Chairman Wyden:

As organizations committed to decarbonizing aviation, we respectfully request that Congress include a meaningful, long-term refundable tax credit that would better incentivize the production and use of sustainable aviation fuel (SAF) as it considers climate-related proposals for the budget reconciliation bill. SAF is a low-carbon, drop-in substitute for conventional jet fuel that is widely recognized as the most critical tool for reducing aviation greenhouse gas (GHG) emissions. A well-crafted, dedicated, and refundable SAF tax credit is essential to rapidly scale the nascent SAF industry to meet aviation demand and reduce aviation sector emissions.

Many of our organizations have previously written regarding our support for the *Sustainable Skies Act* (H.R. 3440/S. 2263), which would establish a \$1.50-\$2.00 per gallon blender's tax credit for SAF that achieves at least a 50 percent reduction in lifecycle GHG emissions compared to conventional jet fuel, with the precise amount of the credit linked to the SAF's GHG emissions performance. We were pleased that President Biden proposed a similar SAF tax credit as part of his *Made in America Tax Plan*. A performance-based SAF tax credit would scale up the supply of SAF, enhance its cost-competitiveness with conventional jet fuel, provide needed policy parity with ground transportation fuels, and help transition the SAF industry from its current nascent stage to a mature industry capable of sustainably producing billions of gallons of SAF from a wide variety of feedstocks and technologies.

We firmly believe a SAF blender's tax credit is an effective mechanism to send a long-term investment signal and create a vibrant domestic SAF market, and the precise structure of the SAF blender's tax credit is critical to achieving this policy goal. Specifically, like the successful biodiesel and renewable diesel mixture tax credit that it is intended to replicate, the SAF blender's tax credit needs to be refundable for it to function as intended, be appropriately monetized by all participants in the nascent SAF industry, and ensure accessibility by all stakeholders regardless of tax liability.

Refundability is a critical element of the incentive because many SAF producers are startups or small companies with limited or no near-term income tax liability, especially in light of the large capital expenditures required to build SAF production facilities. As has been well documented in the clean energy industry,¹ producers or blenders without income tax liability would be forced to either carry forward the tax credit for many years or seek tax equity financing from third parties, both of which would significantly diminish the present value – and the ultimate investment signal – of the SAF blender's tax credit. Further, the availability of tax equity financing for the SAF industry is uncertain given the finite size of the tax equity market and its historic preference for projects in more established segments of the clean energy industry. Finally, refundability is broadly consistent with the technology-neutral principles of the *Sustainable Skies Act*, as it would promote equity among stakeholders by ensuring that all market participants are able to monetize the credit in a similar fashion.

¹ <https://www.americanprogress.org/issues/green/reports/2020/05/28/485411/renewable-energy-tax-credits-case-refundability/>.

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Like refundability, long-term credit duration is critical to ensuring that the SAF blender's tax credit functions as intended and incentivizes significant investment in new feedstocks, supply chains, and production technologies. Notably, modeling conducted by the Department of Energy's National Renewable Energy Laboratory indicates that a 10-year credit duration, as contemplated in the *Sustainable Skies Act*, would induce significant investment in the sector, including in newly commercialized technologies, and could significantly reduce annual aviation GHG emissions by 2030.

Refundability is central to a SAF tax credit being truly effective at meaningfully impacting aviation GHG emissions. Similarly, the duration of the credit is critical to providing the necessary certainty for investors to make long-term decisions. As Congress considers this once-in-a-generation investment in combating the climate crisis, it is crucial that the proposals being put forward have a real-world impact and not run the risk of merely becoming on-the-books, underutilized tax policy. We hope the breadth of our coalition speaks to how indispensable we view refundability and long-term duration for any prospective SAF proposal.

Sincerely,

Accelergy
Aerospace Industries Association
Airbus
Aircraft Owners and Pilots Association
Airline Passenger Experience Association
Air Line Pilots Association, International
Airlines for America
Airports Council International – North America
Alaska Airlines, Inc.
Algae Biomass Organization
American Airlines
American Association of Airport Executives
Association of Flight Attendants – CWA
Atlas Air Worldwide
Avfuel
Biotechnology Innovation Organization
Bombardier
Boom
The Boeing Company
Cargo Airline Association
Delta Air Lines
DHL
Embraer
Environmental Defense Fund
Exosonic, Inc.
FedEx Express
Fulcrum BioEnergy
GE Aviation

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General Aviation Manufacturers Association
Global Business Travel Association
Gulfstream
Hawaiian Airlines
Helicopter Association International
Honeywell
Infinium Operations, LLC
International Air Transport Association
International Flight Services Association
JetBlue Airways
LanzaJet
LanzaTech
National Air Carrier Association
National Air Transportation Association
National Business Aviation Association
Neste
NetJets
NetJets Association of Shared Aircraft Pilots
Port of Portland
Port of Seattle/Seattle-Tacoma International Airport
Pratt & Whitney
Red Rock Biofuels
Regional Airline Association
San Francisco International Airport
Shell Aviation
Signature Aviation
Simonpietri Enterprises
SkyNRG Americas
Southwest Airlines
Southwest Airlines Pilots Association
Third Way
Travelers United
United Airlines
United Parcel Service
U.S. Travel Association
Velocys
World Energy
World Fuel Services
World Wildlife Fund